



JU TENG INTERNATIONAL HOLDINGS LIMITED
巨騰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3336

2023
ANNUAL REPORT

CONTENTS

| | |
|--|-----|
| Corporate Information | 2 |
| Financial Highlights | 4 |
| Chairman's Statement | 5 |
| Management Discussion and Analysis | 7 |
| Management Profile | 15 |
| Report of the Directors | 19 |
| Corporate Governance Report | 33 |
| Independent Auditor's Report | 45 |
| Consolidated Statement of Profit or Loss | 51 |
| Consolidated Statement of Comprehensive Income | 52 |
| Consolidated Statement of Financial Position | 53 |
| Consolidated Statement of Changes in Equity | 55 |
| Consolidated Statement of Cash Flows | 57 |
| Notes to Financial Statements | 60 |
| Five Year Financial Summary | 144 |

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheng Li-Yu (*Chairman and Chief Executive Officer*)
Mr. Chiu Hui-Chin (*Chief Strategy Officer*)
Mr. Huang Kuo-Kuang
Mr. Lin Feng-Chieh
Mr. Tsui Yung Kwok (*Chief Financial Officer*)

NON-EXECUTIVE DIRECTOR

Mr. Cheng Li-Yen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming
Mr. Yuen Chi Ho

AUTHORISED REPRESENTATIVES

Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

COMPANY SECRETARY

Ms. Cheung Lai Yin

AUDIT COMMITTEE

Mr. Cherng Chia-Jiun (*Chairman*)
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming
Mr. Yuen Chi Ho

REMUNERATION COMMITTEE

Mr. Cherng Chia-Jiun (*Chairman*)
Mr. Cheng Li-Yu
Mr. Huang Kuo-Kuang
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming
Mr. Yuen Chi Ho

NOMINATION COMMITTEE

Mr. Cheng Li-Yu (*Chairman*)
Mr. Huang Kuo-Kuang
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming
Mr. Yuen Chi Ho

CORPORATE GOVERNANCE COMMITTEE

Mr. Yip Wai Ming (*Chairman*)
Mr. Cheng Li-Yu
Mr. Huang Kuo-Kuang
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yuen Chi Ho

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners

AUDITORS

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank SinoPac
Cathay United Bank
China Citic Bank
CTBC Bank
DBS Bank
E. Sun Bank
Fubon Bank
Industrial and Commercial Bank of China
KGI Bank
Mega International Commercial Bank
OCBC Wing Hang Bank
Standard Chartered Bank
Taishin Bank
United Overseas Bank

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

Suites 3311-3312, Jardine House
1 Connaught Place, Central
Hong Kong

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 666 Yin Jia Road
Wujiang Economic Development District
Wujiang District, Suzhou City, Jiangsu Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.irasia.com/listco/hk/juteng

STOCK CODE

3336.HK and 9136.TT

FINANCIAL HIGHLIGHTS

| | Notes | For the year ended 31 December | | |
|--|-------|--------------------------------|--------|---------|
| | | 2023 | 2022 | Changes |
| Operating Results: | | | | |
| Revenue (HK\$ million) | | 6,936 | 8,256 | -16% |
| Profit/(loss) attributable to equity holders of the Company (HK\$ million) | | -231 | 172 | -234.1% |
| Earnings/(loss) per share | | | | |
| Basic (HK cents) | | -27.3 | 20.4 | -233.8% |
| Diluted (HK cents) | | -27.3 | 20.4 | -233.8% |
| Dividends per share (HK cents) | | - | 5 | -100% |
| Profitability Ratio: | | | | |
| Gross profit margin | | 7.3% | 5.6% | +1.7% |
| Operating loss margin | 1 | -2.3% | -4.1% | +1.8% |
| Net profit/(loss) margin | 2 | -3.3% | 2.1% | -5.4% |
| EBITDA (HK\$ million) | | 882 | 1,385 | -36.3% |
| Return on equity | 3 | -4.0% | 2.7% | -6.7% |
| Liquidity and Capital Ratio: | | | | |
| Inventory turnover days | 4 | 87 | 103 | -15.5% |
| Trade receivables turnover days | 5 | 131 | 107 | +22.4% |
| Trade and bills payables turnover days | 6 | 51 | 39 | +30.8% |
| Interest coverage | 7 | 22.3% | 296.2% | -273.9% |
| Net debt to equity | 8 | 28.3% | 31.4% | -3.1% |
| Net cash flows from operating activities (HK\$ million) | | 598 | 2,256 | -73.5% |

Notes:

- (1) Operating loss margin equals operating loss divided by revenue. Operating loss includes gross profit, net of selling and distribution expenses, and administrative expenses.
- (2) Net profit/(loss) margin equals profit/(loss) attributable to equity holders of the Company divided by revenue.
- (3) Return on equity equals profit/(loss) attributable to equity holders of the Company divided by the average of the beginning and closing balance of equity attributable to equity holders of the Company.
- (4) Inventory turnover days is equal to the closing balance of inventories divided by cost of sales and multiplied by the number of days in the year.
- (5) Trade receivables turnover days is equal to the closing balance of trade receivables divided by revenue and multiplied by the number of days in the year.
- (6) Trade and bills payables turnover days is equal to the closing balance of trade and bills payables divided by cost of sales and multiplied by the number of days in the year.
- (7) Interest coverage ratio equals profit/(loss) before tax and finance costs divided by finance costs.
- (8) Net debt to equity equals net debt divided by net assets. Net debt includes all interest-bearing bank and other borrowings net of cash and cash equivalents.

The global PC shipments will commence to recover after hitting a new low

During the year ended 31 December 2023 (the "Year"), the rising inflation and interest rates and the numerous challenges plaguing the global economy arising from, among others, a general economic downturn and geopolitical events, led to a decline in global consumer confidence and demand, and also led to a downturn in the personal computers ("PC") market. According to the report released by Gartner, Inc., a market research organization, the global PC shipments in 2023 totaled only 242 million units, representing a decrease of 14.8% from 285 million units in 2022, and almost hit the lowest shipment record for the latest 17 years (i.e. 230 million units in 2006). Meanwhile, due to the uncertain market environment, the downstream manufacturers focused on destocking rather than distributing products during the Year, resulting in a continuous decline in the sales of PC casings, which in turn dragged down the overall performance of Ju Teng International Holdings Limited (the "Company" and together with its subsidiaries, the "Group"). During the Year, the Group recorded revenue of approximately HK\$6,936 million, representing a decrease of 16% as compared with that of 2022.

Despite the challenging business environment, the Group actively paid close attention to the global economy and industry trends, adjusted its operation strategies in a timely manner, flexibly integrated its resources and controlled its costs, and prepared itself for the volatile market. Given that the PC shipments in the fourth quarter of 2023 halted their downward trend of seven consecutive quarters, Gartner, Inc. and Canalys (both market research organizations) predicted that the PC market will recover in 2024. The Group has also gradually made adjustments to its supply chains and expanding its presence in Southeast Asia, so as to seize the opportunities from the market recovery, enhance its industry competitiveness, and stabilize its leading position in the market.

Continuously optimizing its casing products to stabilize its leading position in the industry

Notebook computers and 2-in-1 computer casings remained the core products of the Group. For many years, the Group has been deeply focusing on technological development. With its impressive track record, abundant resources, and cutting-edge technologies, the Group maintained its leading position in the industry. The Group has also established a sound cooperative relationship with the upstream and downstream supply groups and customers, and maintained a stable market share. However, due to the recent geopolitical conflicts, rising inflation, falling global demand for PCs along with the resumption of normal life after the COVID-19 pandemic, and high global inventory levels caused by the rapid slowdown in demand for PCs in the market, the overall sales of the Group during the first half of the Year was also greatly affected. By making effective efforts to adjust its supply chains, integrate its resources, and change its production and sale strategies, the Group narrowed significantly the decline in its sales revenue in the second half of the Year, and regained the momentum despite the weakening demand of the market. The Group will continue to focus on the research & development, optimization and exploration of various casing product portfolios and operation strategies, so as to secure orders for metal casings with higher unit prices, and expand its market share while stabilizing its position in the industry.

It is expected that consumer demand will recover along with updates and iterations of artificial intelligence ("AI") and Windows operating system accelerating the demand for product replacement

With the rapid development of the global AI industry and the popularization of related products, it is expected that consumer demand for computers equipped with AI configurations will increase, which in turn will lead to a product replacement cycle. According to the projections of Canalys, the total shipments of PCs equipped with AI configurations will gain around 19% of the market share in 2024, and the global PC shipments will increase by 8% in 2024. In addition, due to Microsoft's plan to discontinue support for the Windows 10 operating system in 2025, it is expected that commercial users will take the lead to purchase new products to support updates and iterations of the operating system, which will accelerate the demand for product replacement, boost the PC shipments, and revive the demand for computer casings. The Group will closely monitor the trend of technological development, adjust its product strategies in line with market demand, and seize the opportunities from the market recovery.

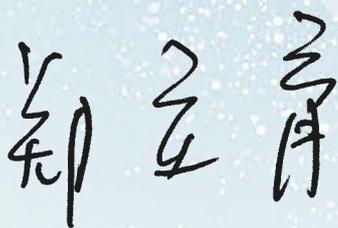
CHAIRMAN'S STATEMENT

Expanding the capacity configuration and expanding the Group's presence in Southeast Asia to reduce costs and increase efficiency

With the increase in raw material costs and labor costs, it is particularly important to reassess the supply chain layout for the sustainable development of the Group. In order to strengthen cost control and improve its production performance, the Group has actively adopted a strategy of integrating its capacity configuration after careful evaluation. Overseas, the Group has acquired the land use right over certain land located in Nghe An Province, Vietnam, and implemented the plan to build and operate production plants there to meet the demand of downstream manufacturers for developing the supply chain in Vietnam and offset the rising production costs and labor costs in China. In China, the Group has also strengthened the integration of its production plant resources, and optimized the local production performance through plant mergers and other methods according to its evaluation results, so as to improve the overall production performance. The Group will actively adapt to changes in the supply chain, continue to optimize its production capacity layout and improve the cost efficiency, and respond to complex challenges with flexible strategies.

Although various factors, such as the slow recovery of the global economy, geopolitical conflicts, and market supply-demand imbalances, continue to plague the PC market, the Group remains prudently optimistic about the industry, and will continue to adjust its resource allocation and operation strategies to prepare itself for the challenges and opportunities. Looking forward to 2024, it is expected that the PC market will recover and usher in a new trend from the updates of AI and Windows operating system. Encouraged by the upcoming recovery prospects, the Group is actively planning to improve its business revenues, and create returns for its shareholders and investors.

Lastly, I would like to take this opportunity to express my sincere gratitude to the Company's shareholders, customers, partners and investors for their continuous trust and support, as well as the unremitting efforts of the Group's employees in an extremely challenging business environment. In the future, the Group will remain market demand oriented, leverage its competitive advantages to create more favorable operating conditions, and seize the opportunities from the market recovery, so as to strive for substantial returns for its employees and shareholders.



Cheng Li-Yu

Chairman and Chief Executive Officer

Hong Kong

18 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review & Prospects

During the year ended 31 December 2023 (the “Year”), the global PC market has experienced a cold winter, mainly affected by various factors such as the global economic downturn, geopolitical situations and weak market demand, as well as a downward trend in the global PC shipments caused by the industry inventory adjustments. According to the report released by Gartner, Inc., a market research organization, 2023 was regarded as the worst year ever in the global PC industry, with a total global shipment of only 242 million units, representing a decrease of 14.8% from that of 2022. It was the first time that the total global shipments have fallen below 250 million units since 2006, due to the downturn in the PC market which in turn directly affected the demand for computer casings. However, despite the sluggish demand in the PC market and the global economic downturn, there was an indication of recovery in the global PC market later in the Year. Following the narrowing of the decline in shipments in the third quarter of the Year, the global shipments then rebounded to record 63 million units in the fourth quarter of the Year, representing an increase of 0.3% as compared with that of 2022, successfully halting their downward trend of seven consecutive quarters starting from the first quarter of 2022. Nevertheless, the business environment remains full of challenges due to the high inflation, high loan interest rates, and geopolitical conflicts, as well as various uncertainties in consumer demand and corporate procurement plans.

As one of the world’s leading notebook computer casing manufacturers, notebook computers and 2-in-1 computer casings remained as the Group’s major source of revenue. Throughout the Year, due to the weakening demand in the global PC market and the high inventory levels, demand for our products has decreased, which in turn impacted our sales revenue. Along with an indication of recovery in market demand in the second half of the Year, the Group also narrowed the decline in its product sales: during the Year, the Group recorded revenue of approximately HK\$6,936 million (2022: approximately HK\$8,256 million), representing a decrease of approximately 16% as compared with 2022. During the Year, the Group actively adjusted its product portfolios to alleviate the weakening demand caused by the global inflation and excessive market inventory, recording an improvement in gross profit margin to approximately 7.3% (2022: approximately 5.6%). However, owing mainly to the fact that during the Year, (i) financial costs significantly increased due to the increase in interest rates of United States dollars borrowings; (ii) there was no gain on disposal of items of property, plant and equipment and right-of-use assets of approximately HK\$525 million as recognised during 2022; and (iii) the Group’s subsidiaries located in the Chinese Mainland have significantly increased their dividend payments as compared with 2022, leading to an increase of approximately HK\$93 million in withholding tax expenses for the Year, the Group recorded a loss attributable to equity holders of the Company of approximately HK\$231 million for the Year (2022: profit of approximately HK\$172 million).

During the Year, the uncertain international financial situation and intensified geopolitical conflicts, as well as interest rate hikes by central banks in numerous countries and rising inflation, led to the weakening demand for notebook computers worldwide, longer-than-expected high inventory levels, and a complex and volatile market environment. For the purpose of reducing costs and increasing efficiency, the Group closely kept up with the changing trends in the global supply chain, adopted its resource allocation strategies, and gradually migrated certain of its production capacity to Vietnam. To this end, during the Year, Ju Teng Electronic Technology (Vietnam) Limited, an indirect, non-wholly-owned subsidiary of the Group, entered into construction agreements with a contractor in relation to the construction of a Vietnam production plant. For further details as to these construction agreements, please refer to the announcements of the Company dated 25 September 2023, 3 November 2023 and 13 December 2023. The Group expects to accelerate the migration, and achieve more efficient production and delivery of products, so as to meet the demands of downstream manufacturers for supply chain layout in Vietnam, improve its production flexibility and performance, and achieve a more sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking ahead, the adjustments made to the global PC inventory are expected to cease, and the supply-demand relationship is gradually returning to equilibrium. According to the report released by Gartner, Inc., the subtle increase in the PC shipments in the fourth quarter of 2023 indicates that the supply-demand relationship has finally returned to equilibrium. According to the report released by International Data Corporation, a market research organization, the PC market will resume growth in 2024. In addition, the market demand will also be boosted by the updates and iterations of AI and the operating system, in particular, as a result of AI development and Microsoft's discontinuation of support for the Windows 10 system which will accelerate the demand for product replacement. According to the prediction made by Canalys, a market research organization, it is expected that PCs equipped with AI configurations will become popular quickly from 2025 and account for about 60% of the total PC shipments in 2027, and will thereby provide momentum for the Group's revenue growth.

Despite the current global economic downturn and weak demand in the PC market, the Group remains prudently optimistic about its development prospects of this industry. As one of the world's leading computer casing manufacturers, the Group will closely monitor market trends, flexibly adjust its operation strategies and resource integration, optimize its production capacity layout, and continuously improve its production performance. The Group will actively leverage its industry-leading advantages, continuously improve its product qualities and research & development capabilities, and consolidate its industry position with quality products and services. The Group is also confident and determined in coping with the challenges and changes in the industry, and in seizing opportunities from the industry recovery to further improve its profitability and create better returns for its shareholders.

Financial Review

During the Year, mainly due to the excess inventory and weak demand for notebook computers worldwide resulting from high levels of global inflation, economic downturn and geopolitical events, the Group's revenue decreased by approximately 16.0% as compared with that of 2022 to approximately HK\$6,936 million (2022: approximately HK\$8,256 million). As the demand for the Group's product slowed down during the Year, the Group had adjusted the production scale to improve production efficiency and reduce the cost of production. Therefore the Group achieved better economies of scale in the second half of the Year, resulting in an increase in gross profit margin. The Group's gross profit margin during the Year increased to approximately 7.3% (2022: approximately 5.6%).

During the Year, other income and gains of the Group mainly consisted of foreign exchange gains, mainly resulting from the translation of trade receivables denominated in United States Dollar ("USD"), of approximately HK\$112 million (2022: approximately HK\$395 million) arising from the depreciation of Renminbi ("RMB") against USD, gain on disposal of a subsidiary of approximately HK\$43 million (2022: Nil), subsidy income of approximately HK\$38 million (2022: approximately HK\$121 million), interest income of approximately HK\$28 million (2022: approximately HK\$9 million) and gross rental income of approximately HK\$23 million (2022: approximately HK\$26 million) and gain on modification of lease of approximately HK\$7 million (2022: Nil) arising from returning certain lots of the land located in Vietnam to the transferor under the supplemental agreement as disclosed in the announcement of the Company dated 10 November 2023.

Due to the absence of a gain on disposal of items of property, plant and equipment and right-of-use assets, net of approximately HK\$525 million recognised during the year ended 31 December 2022 and decrease in foreign exchange gains to approximately HK\$112 million for the Year from approximately HK\$395 million during the year ended 31 December 2022, the Group recorded a substantial decrease of approximately 74.4% in other income and gains during the Year as compared with that of 2022 to approximately HK\$280 million (2022: approximately HK\$1,094 million), accounting for approximately 4.0% (2022: approximately 13.3%) of the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group recorded a decrease of approximately 17.6% in operating costs, including administrative expenses and selling and distribution expenses, as compared with that of 2022 to approximately HK\$664 million (2022: approximately HK\$806 million). The decrease in the operating costs was mainly attributable to the decrease in staff costs, export charges and transportation expenses. The operating costs of the Group as a percentage of the Group's revenue decreased slightly to approximately 9.6% (2022: approximately 9.8%).

During the Year, other expenses of the Group mainly consisted of impairment of property, plant and equipment of approximately HK\$45 million (2022: approximately HK\$285 million), as the recoverable amount of the cash-generating unit is less than the carrying amount of non-financial assets as determined based on the cash flow projections, fair value losses on derivative financial instruments (i.e. the forward foreign exchange contracts) amounted to approximately HK\$16 million (2022: approximately HK\$46 million). Due to the decrease in fair value losses on derivative financial instruments, substantial reduction in impairment of property, plant and equipment and no impairment of goodwill (2022: approximately HK\$52 million), the Group recorded a decrease of approximately 80.8% in other expenses during the Year as compared with that of 2022 to approximately HK\$75 million (2022: approximately HK\$392 million), accounting for approximately 1.1% (2022: approximately 4.7%) of the Group's revenue.

Finance costs of the Group increased by approximately 76.5% as compared with that of 2022 to approximately HK\$215 million (2022: approximately HK\$122 million) for the Year, which was mainly attributable to the increase in interest rate of USD borrowings of the Group. Interest capitalised during the Year was approximately HK\$9 million (2022: approximately HK\$11 million).

As deferred tax assets have not been recognised for certain tax losses incurred by certain subsidiaries and impairment of property, plant and equipment, and withholding tax of approximately HK\$106 million was incurred on dividends distributed by certain subsidiaries located in the People's Republic of China (the "PRC") in the Year, the Group's income tax expenses amounted to approximately HK\$162 million (2022: approximately HK\$180 million) for the Year and the Group's effective tax rate for the Year remained at a higher level.

The loss attributable to equity holders of the Company for the Year amounted to approximately HK\$231 million (2022: profit attributable to equity holders of the Company approximately HK\$172 million). The Group recorded a loss attributable to equity holders of the Company was mainly attributable to the decrease in revenue and other income and gains, and increase in finance costs as discussed above.

Liquidity and Financial Resources

As at 31 December 2023, total bank and other borrowings of the Group amounted to approximately HK\$3,137 million (31 December 2022: approximately HK\$4,043 million), representing a decrease of approximately 22.4% as compared with that as at 31 December 2022. The Group's bank and other borrowings were at floating interest rates and included short-term loans with 1-year maturity, 2-year term loans and 5-year syndicated loans. As at 31 December 2023, the Group's bank and other borrowings denominated in USD, New Taiwan dollars and RMB were approximately HK\$2,735 million (31 December 2022: approximately HK\$3,728 million), approximately HK\$20 million (31 December 2022: approximately HK\$21 million) and approximately HK\$382 million (31 December 2022: approximately HK\$294 million), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group's net cash flows from operating activities decreased to approximately HK\$598 million from approximately HK\$2,256 million in 2022, which was mainly attributable to the Group's recording loss before tax and decrease in other payables in the Year, and substantial decrease in trade receivables as at 31 December 2022 as compared with that as at 31 December 2021. Due to the completion of the installation of new manufacturing facilities at the new production plant in Suzhou in 2022, the Group only recorded a net cash outflow from investing activities of approximately HK\$112 million (2022: approximately HK\$491 million) during the Year. During the Year, due to the repayment of bank borrowings, the Group recorded a net cash outflow from financing activities of approximately HK\$962 million (2022: approximately HK\$836 million). As at 31 December 2023, the Group had cash and bank balances of approximately HK\$1,222 million (31 December 2022: approximately HK\$1,707 million).

As at 31 December 2023, the Group's gearing ratio, calculated as total bank and other borrowings of approximately HK\$3,137 million (31 December 2022: approximately HK\$4,043 million) divided by total assets of approximately HK\$12,156 million (31 December 2022: approximately HK\$14,190 million), decreased to approximately 25.8% (31 December 2022: approximately 28.5%), which was mainly due to the decrease in total bank and other borrowings as at 31 December 2023 as compared with that as at 31 December 2022.

Financial Ratios

Inventory turnover days of the Group during the Year decreased to approximately 87 days (2022: approximately 103 days) mainly due to the Group's effort in inventory reduction in response to the decline in revenue. As at 31 December 2023, there was a decrease in the Group's inventories of approximately 29.9% to approximately HK\$1,539 million (31 December 2022: approximately HK\$2,194 million).

Trade receivables turnover days of the Group during the Year increased to approximately 131 days (2022: approximately 107 days) mainly due to the decline in revenue in the second half of 2022 as compared with that of the first half of 2022, resulting in a lower trade receivables turnover days in 2022. Trade receivables as at 31 December 2023 increased by approximately 2.7% to approximately HK\$2,486 million, as compared with approximately HK\$2,421 million as at 31 December 2022.

Trade and bills payables turnover days of the Group during the Year increased to approximately 51 days (2022: approximately 39 days) mainly due to decrease in purchases of materials in the second half of 2022 as compared with that of the first half of 2022, resulting in a lower trade and bills payables turnover days in 2022. As at 31 December 2023, there was an increase in the Group's trade and bills payables of approximately 8.3% to approximately HK\$891 million (31 December 2022: approximately HK\$823 million).

Pledge of Assets

As at 31 December 2023, certain land and buildings of the Group with a net carrying amount of approximately HK\$20 million (31 December 2022: approximately HK\$20 million) were pledged to secure certain banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of RMB will have adverse effect on the Group's profitability and vice versa. Accordingly, the Group has entered into forward foreign exchange contracts to mitigate possible exchange losses arising from the fluctuations in the values of the USD and RMB. During the Year, the Group recorded foreign exchange gains of approximately HK\$112 million (2022: approximately HK\$395 million) and fair value losses on derivative financial instruments, net of approximately HK\$16 million (2022: approximately HK\$46 million). The management of the Group will continue to monitor the Group's foreign currency risk exposures and adopt prudent measures as appropriate to minimise the adverse effects arising from the foreign currency fluctuations.

Employees

During the Year, the Group had approximately 23,000 employees (2022: approximately 30,000 employees) and recorded staff costs (excluding directors' remuneration) of approximately HK\$1,856 million (2022: approximately HK\$2,481 million).

The Group's employees are remunerated in line with prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC and the Republic of China (the "ROC") employees with welfare schemes as required by the applicable laws and regulations of the PRC and ROC.

Capital Commitment

As at 31 December 2023, the capital commitments which the Group had contracted for but were not provided for in the financial information in respect of the acquisition of buildings, machinery and office equipment amounted to approximately HK\$253 million (31 December 2022: approximately HK\$93 million).

Contingent Liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities.

Events after the Reporting Period

Reference is made to (1) the announcements of the Company dated 22 November 2023, 13 December 2023, 12 January 2024, 25 January 2024 and 13 March 2024; and (2) the circular of the Company dated 30 January 2024 regarding the disposal of certain land and property in the PRC in relation to land resumption (the "**Disposal for Land Resumption**"). On 22 November 2023, (a) Everyday Computer Components (Suzhou) Co., Ltd (大昶電腦配件(蘇州)有限公司), an indirect wholly owned subsidiary of the Company, entered into two agreements with each of Wujiang Economic and Technological Development Zone Management Committee (吳江經濟技術開發區管理委員會) and Huaying Shixun (Wujiang) Co., Ltd* (華映視訊(吳江)有限公司) ("**Huaying Wujiang**") for the resumption of certain plots of land it owned at an aggregate consideration of approximately RMB501.6 million; and (b) Wujiang Dading Precision Mould Co., Ltd (吳江大鼎精密模具有限公司), an indirect wholly owned subsidiary of the Company, entered into an agreement with Huaying Wujiang in relation to the resumption of a plot of land it owned at a consideration of approximately RMB78.4 million (collectively, the "**Resumption Agreements**"). Completion of each Resumption Agreement is subject to the Company's compliance with applicable disclosure requirements under the Listing Rules, and obtaining approval from the Board and the shareholders of the Company. At the extraordinary general meeting of the Company held on 13 March 2024, the resolutions to approve, confirm and ratify each of the Resumption Agreements were duly passed as ordinary resolutions of the Company. The Disposal for Land Resumption is scheduled to be completed in 2024 and is expected to result in a gain on disposal before tax of approximately HK\$548.9 million.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Possible risks and uncertainties

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.

(1) **Market risk**

Casing products are one of the components for notebook computers and handheld devices. With the development of the technologies, notebook computers and handheld devices face the competition from new substitutes, leading to difficulties in the rebound of the market of notebook computers and handheld devices after the downturn this year.

Following the principals of market-orientation, the Group will strive to develop new casing products to fulfil the new market opportunities. In the view of the strong demand on metal casings with sleek, durable and high-ended features, the Group is continuously exploring any new technologies and materials in production of the metal casings.

(2) **Concentration risk on the product types**

Casing products for the notebook computers and handheld devices are the major products of Ju Teng. In the past few years, the casing products provided the stable source of the income to the Group. The business development of the Group is therefore highly limited to the saturation of global PC market.

In the view of the concentration risk on the product types, the Group will expand the product mix based on the market trends, improve the quality of the products, focus on new product development and look for any opportunities in the future to widen the sources of the income.

(3) **Risk of keen competition arising from the sluggish demand**

Sluggish demand on the casing products for the notebook computers result in fierce competition among the industry. Since 2015, due to the downturn of market of notebook computers and handheld devices, the demand on the casing products has become weak. In order to maintain the market, casing manufacturers have lowered the unit price of the casing products, resulting in an adverse impact on the profitability of the industry.

In the view of the keen competition in the industry, the Group will continue to invest in advanced equipment, maintain the good quality of the products and expand the product mix in order to gain good reputation among the industry.

(4) **Risk of rising labour cost in the PRC**

As the factories of the Group are mainly located in the PRC, the increase of labour costs in PRC will adversely affect the profitability of the Group.

In the view of the upward trends on the labour cost, the Group purchased production robots these years in order to increase the production efficiency and reduce the reliance on labour in production to minimize the effects on the rising labour cost in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance with Relevant Laws and Regulations

The Group's business is mainly operated by its subsidiaries incorporated or established in the British Virgin Islands, Hong Kong, the ROC, the PRC and the Vietnam and the Company was incorporated in the Cayman Islands and is a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). Therefore, the Group should comply with relevant laws and regulations of the Cayman Islands, British Virgin Islands, Hong Kong, the ROC, the PRC and the Vietnam.

The Company promotes the culture of adhering to the highest ethical standards of business conduct and commits to complying with all prevailing laws and regulations in all its operating regions. During the Year, the Company was not aware of any material non-compliance or breach of the applicable legislation or regulations that have a significant impact on the Group.

Environmental policy

The Group has strong commitment towards environmental protection. The management will review the Group's environmental practices from time to time and will consider implementing further ecology friendly measures and practices in the operation to enhance environmental protection and sustainability. Details of which are disclosed in our Environmental, Social and Governance report, which will be issued separately by the Company and available on the websites of the Company and the Hong Kong Stock Exchange.

Product liability

Ju Teng maintains well-established quality inspection procedures to ensure all products meet quality standards. Products from the production lines are subject to inspection by its quality management department before they are qualified for storage or delivery. The Group has also in place a set of product recall procedures to ensure that customer claims are properly addressed in case of quality issues. Details of which are disclosed in our Environmental, Social and Governance report.

Occupational safety

The Group has formulated an occupational safety management system and is in compliance with the Production Safety Law of the PRC and other requirements set out in relevant laws and regulations. The Group also holds educational activities of occupational safety including the publicity of relevant laws and regulations. Moreover, new employees have to receive safety orientation training and special operations staff such as electricians and forklift operators have to be certified. The Group also holds training on safety techniques, responsibilities and systems for staff in various positions from time to time. Details of which are disclosed in our Environmental, Social and Governance report.

Relationships with key stakeholders

The Group's success also depends on the support from its key stakeholders which comprise employees, customers, suppliers and shareholders.

(1) Employees

Diverse staff allows Ju Teng to be flexible on serving customers around the world. Each of the Ju Teng's management members is top talent in the industry, and possesses solid professional backgrounds. They serve as the backbone of the Group's development.

Ju Teng has a comprehensive internal promotion pipeline. To keep up with the market dynamics, it deploys talented executives through a system of human resources assessment, so that each of the staff may leverage its strengths, contribute to the swift growth, and maintain stable operation and flexibilities of the organization.

MANAGEMENT DISCUSSION AND ANALYSIS

Ju Teng's culture emphasizes professional division of labour, team spirits and on-site management. Ju Teng pursues increasingly profound qualities and technologies through requirements on discipline and efficiency and maximization of the economies of scale.

The Group has operated a share option scheme since 2005. The purpose of the scheme is to attract and retain eligible and well-performed participants, including employees and any company related person, and to motivate them to strive for future development and expansion of the Group. The scheme serves as an incentive encouraging participants to perform their best in achieving the goals of the Group and allows the participants to enjoy the results of the Group attained through their efforts and contributions. Offering share options to employees is also a way of recognizing employees' contributions. The Group strongly believes that the operation of the scheme can result in a boost in employees' loyalty and cohesiveness.

(2) Customers

The Group's customers are mainly global well-known notebook computer manufacturers and brand owners. They purchased products of the Group by way of a single order on request and therefore, the Group did not enter into any long-term sales contracts with any major customers. The Group has established good and long-term business relationship with the customers, and believes that these customers will continue to place the purchase orders to the Group. Meanwhile, the Group will actively seek for the new customers, in order to minimize the possible negative impact on the Group's business and profitability resulting from the discontinuance of order from any major customer.

(3) Suppliers

Ju Teng holds supply chain management in high regard and strives to select quality suppliers through an open and transparent screening process to achieve mutual benefits. Under the same conditions, priority will be given to suppliers who stick to standard management practices and actively fulfil their social responsibility. In addition, all suppliers must provide their company background and product information for supervision and inspection by the Group. The Group will also review and assess the performance of suppliers annually to decide whether to continue cooperating with them, and such reviews will also be taken into consideration when identifying other suppliers.

(4) Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders of the Company. The Group is committed to fostering business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts, taking into account of capital adequacy levels, liquidity positions and business expansion needs of the Group.

Set out below is the biographical details of the Directors and senior management of the Group as at the date of this annual report:

DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 65, is the chairman and the chief executive officer of the Group and director of certain subsidiaries of the Group. Mr. Cheng Li-Yu is one of the founders of the Group. Mr. Cheng was appointed as an executive Director on 15 July 2004 and the chief executive officer of the Group on 16 March 2022. Mr. Cheng is responsible for the Group's overall corporate strategy planning, operation management and establishment of the Group's future development direction. Prior to co-founding the Group, Mr. Cheng began his career at San Li Industrial Company Limited which was engaged in spray painting in around 1984. Mr. Cheng is the younger brother of Mr. Cheng Li-Yen, the non-executive Director. Mr. Cheng's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report. Mr. Cheng Li-Yu is also a director of Southern Asia Management Limited, which has interests in such number of shares in the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests in Shares" of this annual report.

Mr. Chiu Hui-Chin (邱輝欽), aged 70, is an executive Director and the chief strategy officer of the Group and director of a subsidiary of the Group. He was conferred a Master Degree in Industrial Engineering and Management in National Taipei University of Technology and EMBA in the Graduate Institute of Finance in National Taiwan University. He has more than 37 years of experience in notebook computer, and electronic products business. He joined the Group as executive Director and the chief executive officer of the Group on 1 March 2017. He ceased to be the chief executive officer of the Group and was appointed as the chief strategy officer of the Group on 16 March 2022, responsible for formulating and managing strategies of the Group. Prior to joining the Group, Mr. Chiu was a chief executive officer of Lite-on Technology Corporation, a company listed on the Taiwan Stock Exchange Corporation ("TSEC") until February 2017, and held top management position in various leading international brands and manufacturers of notebook computer, and electronic products. He was a director of Silitech Technology Corporation (stock code: 3311.TT) from June 2012 to March 2017 and Dragonjet Corporation (stock code: 3280.TT) from June 2014 to March 2017, which are listed on the TSEC. Mr. Chiu has also been appointed as an independent director of Syncmold Enterprise Corp. (stock code: 1582.TT), which is listed on the TSEC, since 18 June 2020. Mr. Chiu was the chairman of council of Department of Industrial Engineering and Management Alumnus and council member of China Value Engineering Society (中華民國價值工程學會). Mr. Chiu was also awarded as the outstanding Alumnus of National Taipei University of Technology. Mr. Chiu's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Huang Kuo-Kuang (黃國光), aged 63, is an executive Director and director of a subsidiary of the Group. He joined the Group in February 2001 as a member of the Group's senior management and has been responsible for the Group's daily operations and for overseeing the Group's procurement and operation management of two of its major operating subsidiaries in the PRC, namely, Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer") and Suzhou Dazhi Communication Accessory Co., Ltd ("Suzhou Dazhi"), since their establishment. He was appointed as senior vice president of Everyday Computer and of Suzhou Dazhi in 2002. He has more than 31 years' experience in the computer industry. Mr. Huang was appointed as an executive Director on 10 June 2005. He is responsible for the planning of the Group's procurement strategy, as well as the execution and guidance of operation management. Mr. Huang's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

MANAGEMENT PROFILE

Mr. Lin Feng-Chieh (林豐杰), aged 65, is an executive Director. He was conferred a Master of Business Administration from University of Leicester in United Kingdom. Mr. Lin was a vice president of the Group and joined the Group in September 2011. He worked at Arima Computer Corporation from 1990 to 2005, during which he served as a senior vice president at the research & development (“R & D”) center of notebook computer and was responsible for the leading of the R & D team to carry out development of notebook computer. He worked at Waffer Technology Co., Ltd., as the chief technology officer of the group and a general manager of Taiwan business from 2005 to 2007, during which he was responsible for planning of new technology R & D strategy of the group, and the operating strategic planning and operational management of the Taiwan business. He worked at a US enterprise’s Flextronics International Ltd., a computer business group, as a senior director of R & D center of notebook computer from 2007 to 2011, during which he was responsible for leading the R & D team to carry out the development of the notebook computer. Mr. Lin was appointed as an executive Director on 1 March 2017. He is currently responsible for monitoring the development of new technology-related businesses of the Group. Mr. Lin’s interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company” in this annual report.

Mr. Tsui Yung Kwok (徐容國), aged 55, is an executive Director, the chief financial officer and director of a subsidiary of the Group. Mr. Tsui was appointed as an executive Director on 10 June 2005. He is responsible for the overall financial management. He holds a master degree in corporate governance and a bachelor degree in business (Accounting). He is also a member of Chartered Accountants Australia and New Zealand, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. Before joining the Group in August 2004, Mr. Tsui had been the chief financial officer of a Hong Kong listed company and held a senior position in an international accounting firm in Hong Kong. He had over 30 years’ experience in accounting and finance. He has been an independent non-executive director of Shenguan Holdings (Group) Limited (stock code: 829) since 19 September 2009, Cabbeen Fashion Limited (stock code: 2030) since 18 February 2013 and Intron Technology Holdings Limited (stock code: 1760) since 22 June 2018. He also served as an independent non-executive director of 361 Degrees International Limited (stock Code: 1361) from 1 September 2012 to 20 May 2019 and SITC International Holdings Company Limited (stock code: 1308) from 10 September 2010 to 18 December 2020. Mr. Tsui’s interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company” in this annual report.

Non-executive Director

Mr. Cheng Li-Yen (鄭立彥), aged 70, is one of the founders of the Group. He was an executive Director from 10 June 2005 to 1 March 2017, and thereafter he remained as a director of a subsidiary of the Company and a consultant to the Group in relation to the Group’s overall management of resource planning, as well as plant expansion, development and construction. He was appointed as the non-executive Director on 16 March 2022. Prior to co-founding the Group, Mr. Cheng began his career at San Li Industrial Company Limited which was engaged in spray painting in around 1990 and later joined the management of Sunrise Plastic Injection Company Limited in around 2000. Mr. Cheng is the elder brother of Mr. Cheng Li-Yu, the chairman and the chief executive officer of the Group. Mr. Cheng’s interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company” in this annual report.

Independent non-executive Directors

Mr. Cherng Chia-Jiun (程嘉君), aged 69, is an independent non-executive Director. He was graduated from the National Chengchi University with a Master's degree in Business Administration and a Bachelor of Science degree in Statistics. Mr. Cherng is currently an independent director of Azion Corporation (stock code: 6148.TT), whose shares are traded on the Taiwan OTC Market and FSP Technology Inc. (stock code: 3015.TT), a company listed on the TSEC. He was also the director and President of Digital United Inc., whose shares are traded on the Taiwan Emerging Market until 16 March 2009. Furthermore, he was appointed as an independent director of BizLink Holding Inc. (stock code: 3665.TT) since July 2021, whose shares are listed on the TSEC, and Mr. Cherng was appointed as an independent director of Changing Information Technology Inc. (stock code: 8272.TT) since 7 September 2023, whose shares are traded on the Taiwan Emerging Market). From 1979 to 1998, Mr. Cherng was with the Taiwan based Institute for Information Industry (III), serving in various capacities including general manager of the Network Business Group, director of the Technology Service Group, director of the Market Intelligence Center, and program director of the Technology Research Division. Mr. Cherng was also the director of Zinwell Corporation and the supervisor of AOpen Inc., both of these companies are listed on the TSEC. Mr. Cherng was appointed as an independent non-executive Director on 31 July 2008. Mr. Cherng's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Tsai Wen-Yu (蔡文預), aged 70, is an independent non-executive Director. He obtained his master degree in business administration from the National Chengchi University. He has extensive experience in accounting, taxation and corporate governance. Mr. Tsai is a certified public accountant in Taiwan. He also the independent director of Maywufa Company Ltd., a company listed on the TSEC (he then resigned as the independent director with effect from 26 May 2023). Mr. Tsai was appointed as an independent non-executive Director on 10 June 2005. Mr. Tsai's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

Mr. Yip Wai Ming (葉偉明), aged 58, is an independent non-executive Director. He has more than 32 years of experience in finance and accounting, and had held senior positions in an international accounting firm, a major European bank and listed companies in Hong Kong. Mr. Yip graduated from the University of Hong Kong with a Bachelor's degree in social sciences and from the University of London with a Bachelor's degree in law. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. He has been appointed as an independent non-executive director of PAX Global Technology Limited (stock code: 327) since December 2010, Far East Horizon Limited (stock code: 3360) since March 2011, Poly Culture Group Corporation Limited (stock code: 3636) since December 2013 (he then resigned as an independent non-executive director, the chairman of the remuneration and assessment committee of the board of directors and the member of the audit committee of the board of directors with effect from 21 June 2022), Yida China Holdings Limited (stock code: 3639) since June 2014, New Huo Technology Holdings Limited (stock code: 1611) since October 2018 and Peijia Medical Limited (stock code: 9996) since January 2020 (with effect since May 2020). Mr. Yip was appointed as an independent non-executive Director on 25 May 2006. Mr. Yip's interest in shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance is disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this annual report.

MANAGEMENT PROFILE

Mr. Yuen Chi Ho (袁志豪), aged 56, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has nearly 33 years of experience in audit, accounting and financial management. Mr. Yuen has been a chief financial officer of a private group of companies principally engaged in manufacturing and sales of gardening planter products since 2020. During 1990 to 2000, Mr. Yuen worked in international accounting firms. He was an executive director and chief financial officer of IPE Group Limited (stock code: 929), a company listed on the Main Board of the Hong Kong Stock Exchange, from 1 October 2009 to 1 June 2017, and was redesignated as chief operating officer from 2 June 2017 to 30 November 2018. Mr. Yuen was appointed as an independent non-executive Director on 6 December 2022.

SENIOR MANAGEMENT

Mr. Huang Cheng-Pin (黃正斌), aged 58, is an assistant to Mr. Cheng Li-Yu, an executive Director, the chief executive officer and chairman of the Group. He joined the Group in 2003. Mr. Huang has over 23 years of experience in the banking field and is responsible for the investment planning for the new projects. He also assists the board of Directors in the evaluation of such investment projects as well as the Group's financial planning and funding matters.

Mr. Lee Ming-Kun (李明坤), aged 66, is an assistant to Mr. Cheng Li-Yu, an executive Director, the chief executive officer and chairman of the Group, and joined the Group in 2013. Mr. Lee is responsible for management and supervision on new product development and management in the Group.

Mr. Lu Fu-Hsing (呂福興), aged 58, is an assistant to Mr. Cheng Li-Yu, an executive Director, the chief executive officer and chairman of the Group. He joined the Group in 2003 and is responsible for the human resources planning for the new investment project. He is also responsible for the monitoring and rectification of the matters in relation to the operations and management of the Group.

Mr. Chu San-Tai (朱三泰), aged 49, is a vice president of the Group who joined the Group in 2003 and is currently responsible for the overall operation management of factories in Neijiang and Chongqing regions. He is also responsible the supervision of the quality assurance department of the Group and the establishment of all quality assurance system certifications and quality control. Mr. Chu has rich experience in quality control, understands the manufacturing process and has strict quality control concept. He monitors the Group's quality control system and set-ups a complete quality control system process.

Mr. Hsieh Min-Ta (謝旻達), aged 47, is an associate vice president of the Group. He joined the Group in 2001, and is responsible for the overall operation management of Juteng Electronics Technology (Taizhou) Co., Ltd, a wholly-owned subsidiary of the Group. Mr. Hsieh is responsible for the planning and production management for the coating process, efficiency improvement and cost reduction.

Mr. Chan Bo-Min (詹博閔), aged 49, is an associate vice president of the Group. He joined the Group in 2004. Mr. Chan has 26 years of experience in electronic product casing operation and production management. He is currently responsible for the overall operation management of factories in Suzhou Wujiang region. Mr. Chan was previously responsible for the Group's overall operation and production management department in order to support the overall planning and management of the Group's production and operation. He also assisted the Group's product sales, sales and marketing, and provided supports for the after-sales services.

Mr. Lee Ming-Yu (李明育), aged 42, is an associate vice president of the Group and joined the Group in 2009. He has about 24 years of experience in mold-related process planning and production management. He is responsible for the research and development of the Group's plastic molds, metal molds, high-temperature molds, two-color molds, etc. and the new technologies, and new product introduction. Mr. Lee also responsible for the production management of Juteng (Neijiang) Communication Accessory Co., Ltd, a wholly-owned subsidiary of the Group.

Mr. Hsiao Chuan-Cheng (蕭全成), aged 50, is the supervisor of the Group. He joined the Group in 2010 and has over 27 years of experience in plastic parts of notebook computers and electronic products. Mr. Hsiao is currently responsible for the operation and management of Lian-Yi Precision (Zhongshan) Inc., a non-wholly owned subsidiary of the Group.

COMPANY SECRETARY

Ms. Cheung Lai Yin has been appointed as the company secretary of the Company with effect from 31 January 2019. She is a practising solicitor in Hong Kong working at Chiu & Partners, the Company's legal advisers as to Hong Kong laws, in the field of commercial and corporate finance. Ms. Cheung graduated from the University of Hong Kong with a Bachelor of Laws degree.

REPORT OF THE DIRECTORS

The directors (the “Directors”) of Ju Teng International Holdings Limited (the “Company”) present their report and the audited consolidated financial statements of the Company and its subsidiaries (the “Subsidiaries” and together with the Company, the “Group”) for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year ended 31 December 2023.

BUSINESS REVIEW

Details of the business review of the Group, its likely future development, principal risks, uncertainties facing the Group, the Company’s environmental policies and performance and compliance with the relevant laws and regulations that have a significant impact on the Group for the year ended 31 December 2023, details of relationships with key stakeholders and details of important events affecting the business of the Group subsequent to 31 December 2023 are set out in the section headed “Management Discussion and Analysis” on pages 7 to 14 of this annual report.

RESULTS AND DIVIDEND

The Group’s loss for the year ended 31 December 2023 and the Group’s financial position as at 31 December 2023 are set out in the consolidated financial statements on pages 51 to 143 of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2022: HK5 cents per share).

DIVIDEND POLICY

The amount of dividends to be declared by the Company will depend on the Group’s results, working capital requirements, cash positions, the provision of relevant laws of the PRC and other factors that the Directors consider relevant from time to time, subject to the availability of the cash and distributable reserves, investment requirement, cashflow and the working capital requirements of the Group. The undistributed profit will be used to finance the continued growth and expansion of the business of the Group.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 144 of this annual report. Such summary does not form part of the audited consolidated financial statements of the Group for the year ended 31 December 2023.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s share capital and share options (the “Share Options”) during the year ended 31 December 2023, if any, are set out in notes 29 and 30 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company.

REPORT OF THE DIRECTORS

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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.

ISSUE OF SHARES

During the year ended 31 December 2023, the Company did not issue any shares.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, as calculated in accordance with the provisions of the Companies Act of the Cayman Islands, amounted to approximately HK\$4,724,380,000.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2023, the Group made charitable contributions of approximately HK\$144,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, sales to the Group's five largest customers accounted for approximately 82% of the revenue for the year ended 31 December 2023 and sales to the largest customer amounted to approximately 24% of the revenue for the year ended 31 December 2023. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year ended 31 December 2023. None of the Directors nor any of their close associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) of the Company had any interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors:

Mr. Cheng Li-Yu (*Chairman and Chief Executive Officer*)

Mr. Chiu Hui-Chin (*Chief Strategy Officer*)

Mr. Huang Kuo-Kuang

Mr. Lin Feng-Chieh

Mr. Tsui Yung Kwok (*Chief Financial Officer*)

Non-executive Director:

Mr. Cheng Li-Yen

Independent non-executive Directors:

Mr. Cherng Chia-Jiun

Mr. Tsai Wen-Yu

Mr. Yip Wai Ming

Mr. Yuen Chi Ho

REPORT OF THE DIRECTORS

In accordance with Article 108(A) of the Company's articles of association, Mr. Cheng Li-Yu, Mr. Tsai Wen-Yu, Mr. Lin Feng-Chieh and Mr. Cherng Chia-Jiun will retire as Directors by rotation and, Mr. Cheng Li-Yu, Mr. Lin Feng-Chieh and Mr. Cherng Chia-Jiun, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company. Mr. Tsai Wen-Yu has informed the Board that he will retire as a Director and will not offer himself for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Hong Kong Stock Exchange from all the four independent non-executive Directors namely, Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu, Mr. Yip Wai Ming and Mr. Yuen Chi Ho. As at the date of this report, the Company still considers these independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGERMENTS' BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 15 to 18 of this annual report.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Set out below is the information relating to the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

| | |
|-----------------|---|
| Mr. Tsai Wen-Yu | Due to the expiration of term of office, Mr. Tsai Wen-Yu ceased to serve as the independent director of Maywufa Company Ltd., a company listed on the TSEC (stock code: 1731.TT), with effect from 26 May 2023. |
|-----------------|---|

| | |
|----------------------|---|
| Mr. Cherng Chia-Jiun | Mr. Cherng Chia-Jiun has been appointed as an independent director of Changing Information Technology Inc., whose shares are traded on the Taiwan Emerging Market (stock code: 8272.TT) since 7 September 2023. |
|----------------------|---|

Save as disclosed above, there are no other matters required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules or required to be brought to the attention of the shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Cheng Li-Yu, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, all being executive Directors, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service agreement, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Chiu Hui-Chin and Mr. Lin Feng-Chieh, both being executive Directors, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 March 2017, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service agreement, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

REPORT OF THE DIRECTORS

Mr. Cheng Li-Yen, being the non-executive Director, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 16 March 2022, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service agreement, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cherng Chia-Jiun, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 31 July 2008, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Tsai Wen-Yu, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 17 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Yip Wai Ming, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 25 May 2006, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Yuen Chi Ho, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of two years commencing from 6 December 2022, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service agreement with the Company or any of the Subsidiaries which is not determinable by the Company or the Subsidiary(ies) (as the case may be) within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANagements' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

REPORT OF THE DIRECTORS

The remuneration of the senior management of the Group by band during the year ended 31 December 2023 is set out below:

| Remuneration bands | Number of senior management |
|--------------------------------|-----------------------------|
| HK\$500,001 to HK\$1,000,000 | 6 |
| HK\$1,000,001 to HK\$1,500,000 | 1 |
| HK\$1,500,001 to HK\$2,000,000 | 1 |
| | 8 |

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the consolidated financial statements, respectively.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in note 36 to the consolidated financial statements, the sections headed "Connected transactions and continuing connected transactions", "Share Option Scheme" and "Share Award Plan" in this report, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, the holding company of the Company or any of the Subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company which were not contract of service with any Director or any person engaged in full-time employment of the Company were entered into or existed during the year ended 31 December 2023.

CONTRACT OF SIGNIFICANCE

No contract of significance had been entered into between the Company, or any of the Subsidiaries, and a controlling shareholder (as defined in the Listing Rules) of the Company, or any of its subsidiaries during the year ended 31 December 2023.

No contract of significance for the provision of services to the Company or the Subsidiaries by a controlling shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2023 and up to the date of this annual report, there was and is permitted indemnity provision (within the meaning in section 469 of the Hong Kong Companies Ordinance) in the articles of association of the Company being in force.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year ended 31 December 2023, which provides appropriate cover for certain legal actions brought against its directors and officers.

REPORT OF THE DIRECTORS

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules were as follows:

| Name of Directors | | Long positions Number of ordinary shares of the Company of HK\$0.1 each (the "Shares") and underlying Shares held under equity derivatives | | | | Approximate percentage of the Company's issued share capital (Note 3) |
|----------------------|--|---|------------------------|-------------------------|--------------------|--|
| | | Personal interests | Interests of spouse | Other interests | Total interests | |
| Mr. Cheng Li-Yen | Shares | – | – | 303,240,986 (Note 1) | 303,240,986 | 25.27% |
| Mr. Cheng Li-Yu | Shares | 23,408,000 | 7,064,046 | 303,240,986 (Note 1) | 333,713,032 | 27.81% |
| Mr. Cherng Chia-Jiun | Shares | 210,000 | – | – | 210,000 | 0.02% |
| | Equity Derivatives: Share Options (Note 2) | 360,000 | – | – | 360,000 | 0.03% |
| | | | | | 570,000 | 0.05% |
| Mr. Chiu Hui-Chin | Shares | 5,900,000 | – | – | 5,900,000 | 0.49% |
| | Equity Derivatives: Share Options (Note 2) | 600,000 | – | – | 600,000 | 0.05% |
| | | | | | 6,500,000 | 0.54% |
| Mr. Huang Kuo-Kuang | Shares | 8,285,866 | 2,300,631 | – | 10,586,497 | 0.88% |
| | Equity Derivatives: Share Options (Note 2) | 504,000 | – | – | 504,000 | 0.04% |
| | | | | | 11,090,497 | 0.92% |
| Mr. Lin Feng-Chieh | Shares | 1,824,000 | – | – | 1,824,000 | 0.15% |
| | Equity Derivatives: Share Options (Note 2) | 600,000 | – | – | 600,000 | 0.05% |
| | | | | | 2,424,000 | 0.20% |

REPORT OF THE DIRECTORS

| Name of Directors | | Long positions Number of ordinary shares of HK\$0.1 each (the "Shares") and underlying Shares held under equity derivatives | | | Total interests | Approximate percentage of the Company's issued share capital (Note 3) |
|--------------------|--|--|------------------------|--------------------|--------------------|--|
| | | Personal interests | Interests of spouse | Other interests | | |
| Mr. Tsai Wen-Yu | Equity Derivatives: Share Options (Note 2) | 360,000 | – | – | 360,000 | 0.03% |
| Mr. Tsui Yung Kwok | Shares | 6,156,000 | – | – | 6,156,000 | 0.51% |
| | Equity Derivatives: Share Options (Note 2) | 1,008,000 | – | – | 1,008,000 | 0.09% |
| | | | | | 7,164,000 | 0.60% |
| Mr. Yip Wai Ming | Shares | 248,000 | – | – | 248,000 | 0.02% |
| | Equity Derivatives: Share Options (Note 2) | 288,000 | – | – | 288,000 | 0.02% |
| | | | | | 536,000 | 0.04% |

Notes:

- The Shares and the underlying Shares were registered in the name of Southern Asia Management Limited ("Southern Asia"), which was wholly owned by Shine Century Assets Corp., the entire issued share capital of which was held in the name of East Asia International Trustees Limited as trustee for the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include Mr. Cheng Li-Yu and Mr. Cheng Li-Yen. Mr. Cheng Li-Yu is also a director of Southern Asia. Mr. Cheng Li-Yu and Mr. Cheng Li-Yen were deemed to be interested in all the Shares in which Southern Asia was interested by virtue of the SFO.
- The Share Options are regarded for the time being as unlisted physically settled equity derivatives. Details of the Share Options are set out in the section headed "Share Option Scheme" below and note 30 to the consolidated financial statements.
- These percentages are calculated on the basis of 1,200,008,445 Shares of the Company in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" and "Share Award Plan", there was no equity-linked agreement entered into by the Company, or that subsisted during the year ended 31 December 2023.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Share Award Scheme" and in note 30 to the consolidated financial statements, at no time during or at the end of the year ended 31 December 2023 were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor child (natural or adopted), or were such rights exercised by them; nor was the Company or any of the Subsidiaries a party to any subsisted arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption, i.e. 11 May 2015, with a remaining life of approximately one year.

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme shall be the period set out in the relevant offer letter, provided that such period must expire on the date falling on the tenth anniversary of the date of the grant.

Further details are disclosed in note 30 to the consolidated financial statements.

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2023:

| Name or category of participant | Number of Share Options | | | | | | Grant date (Note 1) | Exercise period | Exercise price per Share (Note 2) | Closing price per Share immediately before the grant date |
|---------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|------------------------|---------------------|------------------------|------------------------|--------------------------------------|---|
| | At 1 January 2023 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | At 31 December 2023 | | | | |
| Directors | | | | | | | | | | |
| Mr. Cherng Chia-Jiun | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2018 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2019 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2020 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 360,000 | - | - | - | - | 360,000 | | | | |
| Mr. Chiu Hui-Chin | 300,000 | - | - | - | - | 300,000 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 300,000 | - | - | - | - | 300,000 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 600,000 | - | - | - | - | 600,000 | | | | |

REPORT OF THE DIRECTORS

| Name or category of participant | Number of Share Options | | | | | | At 31 December 2023 | Grant date (Note 1) | Exercise period | Exercise price per Share (Note 2) | Closing price per Share immediately before the grant date |
|---------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|------------------------|---------------------|---------------------|------------------------|-----------------|--------------------------------------|---|
| | At 1 January 2023 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | At 31 December 2023 | | | | | |
| Mr. Huang Kuo-Kuang | 252,000 | - | - | - | - | 252,000 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 252,000 | - | - | - | - | 252,000 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 504,000 | - | - | - | - | 504,000 | | | | | |
| Mr. Lin Feng-Chieh | 300,000 | - | - | - | - | 300,000 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 300,000 | - | - | - | - | 300,000 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 600,000 | - | - | - | - | 600,000 | | | | | |
| Mr. Tsai Wen-Yu | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2018 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2019 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2020 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 360,000 | - | - | - | - | 360,000 | | | | | |
| Mr. Tsui Yung Kwok | 252,000 | - | - | - | - | 252,000 | 3-9-2018 | 7-11-2019 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 252,000 | - | - | - | - | 252,000 | 3-9-2018 | 7-11-2020 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 252,000 | - | - | - | - | 252,000 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 252,000 | - | - | - | - | 252,000 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 1,008,000 | - | - | - | - | 1,008,000 | | | | | |
| Mr. Yip Wai Ming | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2019 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2020 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 72,000 | - | - | - | - | 72,000 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 | |
| | 288,000 | - | - | - | - | 288,000 | | | | | |

REPORT OF THE DIRECTORS

| Name or category of participant | Number of Share Options | | | | | | Grant date (Note 1) | Exercise period | Exercise price per Share (Note 2) | Closing price per Share immediately before the grant date |
|---------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|------------------------|---------------------|------------------------|------------------------|--------------------------------------|---|
| | At 1 January 2023 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | At 31 December 2023 | | | | |
| Other employees | | | | | | | | | | |
| In aggregate | 40,400 | - | - | - | (20,000) | 20,400 | 3-9-2018 | 7-11-2018 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 66,400 | - | - | - | (20,000) | 46,400 | 3-9-2018 | 7-11-2019 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 70,400 | - | - | - | (22,800) | 47,600 | 3-9-2018 | 7-11-2020 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 14,040,400 | - | - | - | (1,787,600) | 12,252,800 | 3-9-2018 | 7-11-2021 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 14,038,400 | - | - | - | (1,787,600) | 12,250,800 | 3-9-2018 | 7-11-2022 to 31-8-2024 | HK\$1.48 | HK\$1.48 |
| | 28,256,000 | - | - | - | (3,638,000) | 24,618,000 | | | | |
| | 31,976,000 | - | - | - | (3,638,000) | 28,338,000 | | | | |

Notes:

- The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.
- The exercise price is determinable by the Board, but shall not be less than the highest of (i) the closing price of the Shares on the date of the grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of the Shares. The exercise price of the Share Options is subject to adjustment in the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company in accordance with the rules of the Share Option Scheme.

The number of Share Options available for grant under the scheme mandate as at 1 January 2023 and 31 December 2023 remained at 116,634,244.

As at the date of this report, (i) the total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme is 98,112,244 Shares, representing approximately 8.2% of the issued share capital of the Company; and (ii) the total number of Shares available for allotment and issue pursuant to the exercise of share options to be granted under the Share Option Scheme is 10% of the total number of Shares in issue on the date of refreshment of scheme limit i.e. 15 May 2019, which is 116,634,244 Shares, representing approximately 9.7% of the issued share capital of the Company.

For further details regarding the Share Option Scheme, please refer to note 30 to the consolidated financial statements.

SHARE AWARD PLAN

On 19 May 2017, a trust deed (the "Trust Deed") was entered into between the Company as settlor and Bank of Communications Trustee Limited as trustee (the "Trustee") in relation to the establishment of a trust (the "Trust") and adoption of a share award plan (the "Plan").

REPORT OF THE DIRECTORS

The purpose of the Plan is to recognize the contribution by eligible participants under the Plan and to attract suitable personnel for further development of the Group. The Company may make contribution to the Trust for the purpose of vesting awarded Shares to the selected participants. Pursuant to the Plan, the Board may from time to time at its sole discretion subject to requirements under the Plan, cause to be paid any sums of money to the Trustee and instruct the Trustee to purchase Shares in the market at prevailing market price. The Trustee will hold the awarded shares on trust for all or one or more of the selected participants until such awarded shares are vested with the relevant selected participants in accordance with the rules of the Plan.

The Plan is a discretionary scheme of the Company and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Plan and the Trust Deed. The Plan does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

On 5 December 2022, the Board resolved to make certain amendments (the “Amendments”) to the Plan effective on the same date, to the effect that: (1) the Trustee will not be instructed to subscribe for any new Shares for the purpose of satisfying awards to be granted following the effective date of the Amendments such that all awards to be granted shall be satisfied by existing Shares only; (2) the Trustee shall abstain from voting on matters that require Shareholders’ approval under the Listing Rules in respect of any Shares held under the Trust unless required by law to vote in accordance with the beneficial owner’s direction and such a direction is given; and (3) other house-keeping amendments are made for the purpose of making consequential amendments in line with the above amendments and to clarify the existing practice. Save for the Amendments disclosed in the announcement of the Company dated 5 December 2022 and other cosmetic changes, no other changes have been made to the Plan and all other terms of the Plan remain effective.

Eligible participants and maximum entitlement

Any employee (whether full time or part time, including any executive director but excluding any non-executive director) and any non-executive director (including independent non-executive director) of the Company, any Subsidiary or any Invested Entity. There is no maximum entitlement applicable to an individual participant of the Plan.

Vesting period

The vesting period of an award of Shares commences on the date on which such Shares have been provisionally set aside by the Trustee to such the grantee and ends on the date on which the legal and beneficial title to the Shares awarded are transferred to the grantee, which shall be within ten business days after the latest of (a) such date as determined by the Board; and (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such grantee have been attained.

Determination of purchase price

Where the Trustee effects a purchase of Shares by off-market transactions for satisfying an award under the Plan, the purchase price shall not be higher than the lower of (a) the closing market price per Share on the trading day immediately prior to such purchase on which the Shares were traded on the Stock Exchange, and (b) the average closing market price per Share for the five preceding trading days on which the Shares were traded on the Stock Exchange.

Term

The Plan will remain in force for a period of 30 years since the date of adoption of the Plan, i.e. 19 May 2017, with a remaining life of approximately 23 years. Early termination may be done by the Board.

During the year ended 31 December 2023, (i) there were no unvested awards under the Plan; (ii) no share award was granted by the Board to any selected participants; and (iii) no awards were vested, cancelled nor lapsed.

REPORT OF THE DIRECTORS

The Plan is a share scheme funded by existing shares of the Company within the meaning of Chapter 17 of the Listing Rules. Accordingly, the scheme mandate limit does not apply. However, in any given financial year, the Trustee shall not purchase more than 10% of the total number of issued Shares as at the beginning of such financial year for the purpose of the Plan. During the year ended 31 December 2023, no Shares had been purchased by the Trustee.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2023, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

| Name of shareholders | Capacity and nature of interest | Long positions | |
|--|-------------------------------------|--------------------|--|
| | | Number of Shares | Approximate percentage of the Company's issued share capital (Note 3) |
| Southern Asia | Beneficial owner | 303,240,986 | 25.27% |
| Shine Century Assets Corp. (Note 1) | Interest of controlled corporations | 303,240,986 | 25.27% |
| East Asia International Trustee Limited (Note 1) | Trustee | 303,240,986 | 25.27% |
| Ms. Lin Mei-Li (Note 2) | Beneficial owner | 7,064,046 | 0.59% |
| | Interest of spouse | 326,648,986 | 27.22% |
| | | <u>333,713,032</u> | <u>27.81%</u> |
| Bank of Communications Trustee Limited | Trustee | 354,345,774 | 29.53% |

Notes:

1. The Shares and underlying Shares were held by Southern Asia, which was wholly owned by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. was held in the name of East Asia International Trustees Limited as trustee for the Cheng Family Trust. Shine Century Assets Corp. was deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO. East Asia International Trustees Limited was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO. Mr. Cheng Li-Yu is also a director of Southern Asia. The Shares registered in the name of Southern Asia was also disclosed as the interest of Mr. Cheng Li-Yu and Mr. Cheng Li-Yen in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company" above.
2. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she was deemed to be interested in all the Shares in which Mr. Cheng Li-Yu was interested by virtue of the SFO.
3. These percentages are calculated on the basis of 1,200,008,445 Shares of the Company in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group had conducted the following continuing connected transactions which were required to be disclosed pursuant to Rule 14A.49 of the Listing Rules:

- (a) Pursuant to a master sales agreement dated as of 31 December 2008 entered into between Giant Glory International Limited (“Giant Glory”), an indirect wholly-owned subsidiary of the Company (for itself and on behalf of other members of the Group) and Wistron Corporation (“Wistron”) (for itself and on behalf of other members of Wistron and its subsidiaries (the “Wistron Group”)), on 23 January 2009, the Group agreed to sell casings for electronic products and related materials manufactured and/or supplied by the Group (the “Products”) to the Wistron Group in its ordinary course of business, at prices to be determined from time to time by the Group and Wistron (for itself and on behalf of other members of the Wistron Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The master sales agreement had subsequently been renewed on 31 October 2011, 10 December 2014, 27 December 2017 and 17 December 2020, each for a term of three years commencing from the expiry of the then current term. On 27 December 2023, Giant Glory (for itself and on behalf of other members of the Group) and Wistron (for itself and on behalf of other members of Wistron Group) further entered into a renewal agreement for the existing master sales agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Wistron Group amounted to approximately HK\$793,395,000 for the year ended 31 December 2023 (2022: approximately HK\$696,583,000).

Wistron is a substantial shareholder of Mindforce Holdings Limited, a non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

- (b) On 1 January 2009, Giant Glory (for itself and on behalf of other members of the Group) and Compal Electronics, Inc. (“Compal”) and three of its subsidiaries (for themselves and on behalf of other members of Compal and its subsidiaries (the “Compal Group”)) entered into a master sales agreement in relation to the sales of the Products by the Group to the Compal Group in its ordinary course of business, at prices to be determined from time to time by the Group and Compal (for itself and on behalf of the other members of the Compal Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The price of the Products shall be payable by the Compal Group to the Group in arrears ranging from 45 to 120 days’ credit period by transferring to the Group’s bank account. The master sales agreement had subsequently been renewed on 15 November 2011, 30 December 2014, 27 December 2017 and 17 December 2020, each for a term of three years commencing from the expiry of the then current term. On 27 December 2023, Giant Glory (for itself and on behalf of other members of the Group) and Compal (for itself and on behalf of other members of Compal Group) further entered into a renewal agreement for the existing master sales agreement for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Compal Group amounted to approximately HK\$1,659,793,000 for the year ended 31 December 2023 (2022: approximately HK\$1,933,994,000).

Compal is a substantial shareholder of Wah Yuen Technology Holding Limited, a non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

REPORT OF THE DIRECTORS

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions disclosed in (a) and (b) above undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed in (a) and (b) above by the Group in accordance with the Listing Rules and confirming the matters as stated in Rule 14A.56 of the Listing Rules.

The related party transactions set out in note 36 to the consolidated financial statements also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and such transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the latest practicable date prior to the issue of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

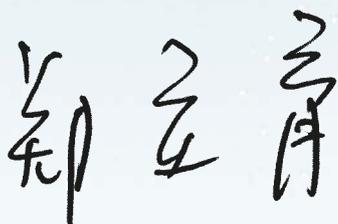
AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2023.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD



Cheng Li-Yu

Chairman and Chief Executive Officer

Hong Kong

18 March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Ju Teng International Holdings Limited (the “Company”) continues to devote much effort on formulating and implementing sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix C1 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) that were in effect during the year ended 31 December 2023. The Company and its corporate governance committee (the “CG Committee”) periodically review its corporate governance practices to ensure its continuous compliance with the CG Code. The Company had complied with the code provisions of the CG Code for the year ended 31 December 2023, save for the deviation with code provision C.2.1 described below.

BOARD OF DIRECTORS

The Group is led by and controlled through the Board, which was constituted by a combination of five executive Directors, one non-executive Director and four independent non-executive Directors during the year ended 31 December 2023.

The Board oversees the overall management and operations of the Company. Major responsibilities of the Board include approving the Company’s overall business, formulating financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. With effect from 16 March 2022, Mr. Cheng Li-Yu assumed both roles as the chairman of the Board and the chief executive officer of the Company. The Board believes that having the same individual in both roles as chairman of the Board and the chief executive officer of the Company allows the Group to be managed under a consistent leadership and the overall strategy of the Group could be more effectively formulated and executed.

The Board will continue to review the management structure from time to time and shall make necessary changes as appropriate.

Independent non-executive Directors have been instrumental in ensuring independent views and input are available to the Board. The independent non-executive Directors have been appointed by the Company for a term of two years commencing from the date of their respective appointment renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, and until terminated by not less than three months’ notice in writing served by either the Company or the respective Director on the other. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in Rule 3.13 of the Listing Rules.

Mr. Cheng Li-Yen, the non-executive Director, has been appointed for an initial term of three years commencing from 16 March 2022 renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service agreement until terminated by not less than three months’ notice in writing served by either party on the other.

CORPORATE GOVERNANCE REPORT

All Directors are subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company has adopted and applied a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard set out in the Model Code as set out in Appendix C3 to the Listing Rules throughout the year ended 31 December 2023. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2023.

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Save for the sibling relationship between Mr. Cheng Li-Yu, the chairman and the chief executive officer of the Group, and Mr. Cheng Li-Yen, the non-executive Director, there was no family relationship between any of the Directors, nor were there any financial, business or other material or relevant relationships among the members of the Board.

Mechanisms for ensuring independent views and input to the Board

To ensure independent views and input are available to the Board, the following mechanisms are implemented and are reviewed on an annual basis by the Board.

1. The Board requires that each independent non-executive Directors to provide written confirmation as to the factors affecting their independence as provided under the Listing Rules.
2. In recruiting independent non-executive Directors, the Nomination Committee shall assess if the candidate(s) would be independent with reference to the relevant guidelines set out in the Listing Rules and also consider other factors, including but not limited to his/her character, integrity, cross-directorships and significant links with other Directors, time commitment, professional qualifications and relevant work experience.
3. Nomination Committee shall review the structure, size and composition of the Board by taking into account of various aspects, including the diversity policy for the Board ("Board Diversity Policy") and measurable objectives to achieve Board diversity, on an annual basis.
4. The Board shall also take into account the lack of involvement in the daily management of the Company on the part of the independent non-executive Directors and any relationship or circumstances which would affect the exercise of their independent judgement.
5. The chairman of the Board meets with the independent non-executive Directors regularly without the presence of the other Directors.
6. The Directors may seek advice from external independent professional advisors at the Company's expense to perform their duties.
7. The Board shall also ensure that further re-appointment of any long-serving independent non-executive Director is subject to a separate resolution to be approved by the Shareholders at the annual general meetings of the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

Pursuant to code provision C.5.1 of the CG Code, the Board should meet regularly for at least four times a year. Special meetings of the Board will be convened if the situation requires so. During the year ended 31 December 2023, the Board convened a total of four Board meetings (exclusive of meetings of Board committees held during the year) and one general meeting, i.e. the annual general meeting on 17 May 2023. The individual attendance record of the Directors at board meetings and general meetings of the Company is tabulated as follows:

| Name of Directors | Board meeting | | General meeting | |
|--|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | Number of meetings held | Number of Meetings attended | Number of Meetings held | Number of meetings attended |
| Executive Directors | | | | |
| Mr. Cheng Li-Yu (<i>Chairman</i>) | 4 | 4 | 1 | 1 |
| Mr. Chiu Hui-Chin | 4 | 4 | 1 | 1 |
| Mr. Huang Kuo-Kuang | 4 | 4 | 1 | 0 |
| Mr. Lin Feng-Chieh | 4 | 3 | 1 | 0 |
| Mr. Tsui Yung Kwok | 4 | 4 | 1 | 1 |
| Non-executive Director | | | | |
| Mr. Cheng Li-Yen | 4 | 4 | 1 | 1 |
| Independent non-executive Directors | | | | |
| Mr. Cherng Chia-Jiun | 4 | 4 | 1 | 0 |
| Mr. Tsai Wen-Yu | 4 | 4 | 1 | 0 |
| Mr. Yip Wai Ming | 4 | 4 | 1 | 1 |
| Mr. Yuen Chi Ho | 4 | 4 | 1 | 1 |

Board committee meetings will be convened as and when necessary.

For the individual attendance record of the Directors at meetings of the CG Committee, nomination committee, audit committee and remuneration committee of the Board, please refer to the paragraphs headed "Corporate Governance Committee", "Nomination Committee", "Audit Committee and Accountability" and "Remuneration Committee", respectively, of this corporate governance report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

To ensure the Directors' contribution to the Board remains informed and relevant, and in compliance with code provision C.1.4 of the CG Code, the Company would arrange and fund suitable continuous professional development opportunities for Directors to develop and refresh their knowledge and skills. During the year ended 31 December 2023, the Company has arranged, and each of the Directors (except Mr. Cheng Li-Yen) has attended training seminar provided by the Company's tax advisers as to global taxes and ESG advisory team as to latest update on ESG reporting requirements.

CORPORATE GOVERNANCE REPORT

COMMITTEES OF THE BOARD

As at 31 December 2023, the Board had four Board committees, namely, the CG Committee, the nomination committee (the "Nomination Committee"), the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee"), for overseeing various aspects of the Company's affairs.

Each of the Board committees has been established with written terms of reference that state its authority and duties, which are available on the website of the Company and the Hong Kong Stock Exchange. Accordingly, the Board committees should report to the Board for their decisions or recommendations made and they shall be provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Please refer to the respective terms of reference for each of the Board committees for their practices, procedures and arrangements in conducting meetings.

CORPORATE GOVERNANCE COMMITTEE

The Company has established the CG Committee on 1 April 2012 with written terms of reference adopted in compliance with the CG Code. The CG Committee currently consists of six members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu, Mr. Yip Wai Ming and Mr. Yuen Chi Ho who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Yip Wai Ming is the chairman of the CG Committee.

The CG Committee is mainly responsible for ensuring the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The CG Committee shall introduce and propose relevant principles concerning corporate governance and review and determine the corporate governance policy, so as to enhance and to ensure a high standard of corporate governance practice in the Group. The CG Committee shall review and monitor the training and continuous professional development of Directors and senior management and shall review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. During the year ended 31 December 2023, the CG Committee reviewed issuer's policies and practices on corporate governance of the Group, arranged for training and continuous professional development of Directors and senior management pursuant to its review and reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

The CG Committee convened one meeting during the year ended 31 December 2023 to review the policies and practices on corporate governance of the Group. The individual attendance record of each member of the CG Committee is tabulated as follows:

| Name of Director | Number of meeting held | Number of meeting attended |
|--------------------------------------|------------------------|----------------------------|
| Mr. Yip Wai Ming (<i>Chairman</i>) | 1 | 1 |
| Mr. Cheng Li-Yu | 1 | 1 |
| Mr. Cherng Chia-Jiun | 1 | 1 |
| Mr. Tsai Wen-Yu | 1 | 1 |
| Mr. Huang Kuo-Kuang | 1 | 1 |
| Mr. Yuen Chi Ho | 1 | 1 |

NOMINATION COMMITTEE

The Company has established the Nomination Committee on 1 April 2012 with written terms of reference adopted in compliance with the CG Code. The Nomination Committee currently consists of six members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu, Mr. Yip Wai Ming and Mr. Yuen Chi Ho who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cheng Li-Yu is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and diversity of perspectives experience) of the Board at least annually and making recommendation to the Board for any proposed changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; making recommendations to the Board on various matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer of the Company; and making recommendations to the Board on the policy concerning the diversity of Board members, and the measurable objectives for implementing such policy.

The Board has adopted written policy for the nomination of new director. In evaluating and selecting any candidate for directorship, the criteria to be taken into account when considering the suitability of a candidate shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of its responsibilities.

The Board has adopted procedures for nomination of new director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) the Nomination Committee will consider and, if thought fit, recommend to the Board for appointment; (iii) the Board would, after taking into consideration the recommendation of the Nomination Committee and other relevant factors, approve the appointment of the new director by way of board meeting or written resolution. To ensure a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed director will be provided with a comprehensive, tailored and formal induction on the first occasion of his appointment.

The Nomination Committee convened one meeting during the year ended 31 December 2023 to review the structure and composition of the Board, review the Board Diversity Policy and monitor the progress on achieving the measurable objectives (the "Measurable Objectives") set out in the Board Diversity Policy. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

| Name of Director | Number of meeting held | Number of meeting attended |
|-------------------------------------|------------------------|----------------------------|
| Mr. Cheng Li-Yu (<i>Chairman</i>) | 1 | 1 |
| Mr. Cherng Chia-Jiun | 1 | 1 |
| Mr. Tsai Wen-Yu | 1 | 1 |
| Mr. Yip Wai Ming | 1 | 1 |
| Mr. Huang Kuo-Kuang | 1 | 1 |
| Mr. Yuen Chi Ho | 1 | 1 |

CORPORATE GOVERNANCE REPORT

The Board and the Nomination Committee periodically review the Board Diversity Policy on an annual basis, and monitor the progress on achieving the Measurable Objectives which are set for implementing diversity on the Board. The Board Diversity Policy endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. For the year ended 31 December 2023, the Company has achieved the following Measurable Objectives that the Board has set for implementing the Board Diversity Policy:

- (a) To ensure the appropriate proportion of the independent non-executive Directors and the executive Directors in order to maintain the independence of the Board. In particular, at least one-third of the number of members of the Board shall be independent non-executive Directors;
- (b) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;
- (c) To ensure at least one-third of the members of the Board shall have attained bachelor's degree or higher level of education;
- (d) To ensure at least one-third of the members of the Board were or currently are director(s) of listed companies (including Hong Kong and other regions) other than the Company;
- (e) To ensure Board has members coming from different cultural backgrounds (including Hong Kong and Taiwan); and
- (f) To ensure the age distribution of the members of the Board comprised of people from at least two decades.

The Company recognises the importance of gender diversity and recruits employees at all levels based on merits and regardless of gender in order to ensure there is a pipeline of male and female potential successors to the Board and the senior management. The Company will ensure at least one female Director will be appointed by 31 December 2024. The Board aims to achieve at least 30% female members on the Board by 31 December 2030.

Set forth below are is the gender ratio in the Group's workforce as at 31 December 2023:

| | Male | Female |
|--|------|--------|
| Directors | 100% | 0% |
| Workforce (<i>including senior management</i>) | 56% | 44% |

To maintain a balance of gender composition of human resources at all levels, gender diversity targets are set across the workforce. The Board will identify specific target groups based on a set of criteria, including current and expected size of each department in the future, changes in the number of female staff members in each department, and the needs of each department with reference to the Group's business development plans. Based on the existing composition of the workforce, the Group shall endeavor to maintain a near 50% of each gender for the workforce. The targets will be revisited periodically based on the abovementioned considerations and other relevant factors. The management will review the employee turnover and recruitment data for women and men in the target group identified on a periodic basis for adjustment to the recruitment policies and strategies if necessary.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, announcements regarding the inside information and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make the above assessments.

The Company has established the Audit Committee on 17 June 2005 with written terms of reference adopted in compliance with the CG Code. The Audit Committee currently consists of four independent non-executive Directors, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu, Mr. Yip Wai Ming and Mr. Yuen Chi Ho. Mr. Cherng Chia-Jiun is the chairman of the Audit Committee.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's risk management and internal control systems including the adequacy of resources, staff qualifications and experience training programmes and budget of the Company's accounting, financial reporting function and ESG performance and reporting.

This committee is responsible for, among others, (i) making recommendations to the Board for, the appointment, reappointment or removal of the external auditors, (ii) reviewing and monitoring the external auditors' independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with the Listing Rules and other applicable standards and (iii) reviewing the financial information of the Group. During the year ended 31 December 2023, the Audit Committee met with the external auditors to review and approve the audit plans. It also reviewed the Group's annual results of 2022 and interim results of 2023 and the audit findings with the attendance of the external auditors and executive Directors.

The Audit Committee convened a total of six meetings during the year ended 31 December 2023. The individual attendance record of each member of the Audit Committee is tabulated as follows:

| Name of Director | Number of meeting held | Number of meeting attended |
|--|------------------------|----------------------------|
| Mr. Cherng Chia-Jiun (<i>Chairman</i>) | 6 | 6 |
| Mr. Tsai Wen-Yu | 6 | 5 |
| Mr. Yip Wai Ming | 6 | 6 |
| Mr. Yuen Chi Ho | 6 | 6 |

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 17 June 2005 with written terms of reference adopted in compliance with the CG Code. The Remuneration Committee currently consists of six members, namely, Mr. Cherng Chia-Jiun, Mr. Tsai-Wen Yu, Mr. Yip Wai Ming and Mr. Yuen Chi Ho who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cherng Chia-Jiun is the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and the remuneration, bonuses and welfare benefits for the executive Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. During the year ended 31 December 2023, the Remuneration Committee reviewed the remuneration policy and packages of the Directors and senior management, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee convened one meeting during the year ended 31 December 2023. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

| Name of Director | Number of meetings held | Number of meetings attended |
|--|-------------------------|-----------------------------|
| Mr. Cherng Chia-Jiun (<i>Chairman</i>) | 1 | 1 |
| Mr. Tsai Wen-Yu | 1 | 1 |
| Mr. Yip Wai Ming | 1 | 1 |
| Mr. Cheng Li-Yu | 1 | 1 |
| Mr. Huang Kuo-Kuang | 1 | 1 |
| Mr. Yuen Chi Ho | 1 | 1 |

AUDITORS' REMUNERATION

During the year, the audit and non-audit fees payable/paid to Ernst & Young, the auditors of the Group, was made up of an audit fee of HK\$4,380,000 and non-audit service fees of approximately HK\$1,809,000 respectively. The non-audit service fees mainly comprised tax compliance service of HK\$536,000, agreed-upon procedures on interim results of HK\$580,000, environmental, social and governance reporting service of HK\$160,000 and certain agreed-upon-procedure work of approximately HK\$533,000.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2023.

The external auditors of the Company acknowledge their reporting responsibilities in the independent auditor's report on the consolidated financial statements for the year ended 31 December 2023.

COMPANY SECRETARY

All Directors are entitled to the company secretary services. The company secretary reports and notifies the Board the latest information on corporate governance and oversight on a regular basis, assists the Chairman in preparation of the agenda, prepares and dispatches meeting documents in a timely and comprehensive manner so as to ensure the efficiency and validity of the Board Meeting.

The company secretary is also in charge of preparing and keeping written resolutions and/or minutes of the meeting of the Board and the Board committees together with relevant documents. All matters under consideration including any enquiry and objection by Director will be minuted in details. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comments and final written resolution and minutes will be sent to Directors for their records.

With effect from 31 January 2019, Ms. Cheung Lai Yin of Chiu & Partners, an external service provider, has been appointed by the Company as the company secretary. Her primary contact person at the Company is Mr. Tsui Yung Kwok (an executive Director of the Company). According to Rule 3.29 of the Listing Rules, the company secretary had taken no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

The Board is responsible for ensuring that sound and effective risk management and internal control systems are maintained within the Group. The Company has procedures and internal controls for the handling and dissemination of inside information. In practice, when employees of the Group become aware of any information which they consider as potential inside information, they would keep such matters confidential and report to the designated personnel of the Company, who would then consider whether it is necessary to pass such information to the Board for the purpose of considering and deciding whether such information constitutes inside information and whether disclosure by way of an announcement is required.

The Board acknowledges its overall responsibility for the risk management functions and internal control systems of the Group. Management is responsible for the design, implementation and monitoring such systems, while the Board oversees management in performing its duties on an ongoing basis. During the year ended 31 December 2023, the Board has complied with the risk management and internal control code provisions of the CG Code by establishing and maintaining appropriate and effective risk management and internal control systems and reviewing the effectiveness of the Group's risk management and internal control system. The review covered all material controls, including financial, operational and compliance controls. An integrated bottom-up and top-down risk review process has been adopted to enable comprehensive identification and prioritization of all material risks across the Group, escalation of material risks at the appropriate managerial level, effective risk dialogue among the management, and proper oversight of risk mitigation efforts.

CORPORATE GOVERNANCE REPORT

The risk management framework adopted by the Group is embedded in our strategy development, business planning and day-to-day operations. The Group adopts a control and risk self-assessment methodology and continuously assesses and manages its risk profile on a regular basis. Risks that are relevant to the Group's business are identified, assessed and ranked according to their likelihood and impact on the Group. In case any material internal control defects are identified, the Audit Committee would review the actions performed by the management in addressing the issues and defects regarding the internal control and risk management systems. The proposed remedial plans in response to such defects will then be submitted to the Board for consideration.

Due to the Group's size, nature and complexity of the business, it would be more cost effective to appoint external independent professionals to perform internal audit function to meet the Group's needs. The Group had hired independent professionals to perform an annual review on the system of risk management and internal control of the Group to ensure that the financial and operational functions, compliance control, asset management and risk management functions are in place and functioning effectively for the year ended 31 December 2023. The independent professionals has assessed the risk and internal control systems by conducting interviews, walkthroughs and tests on the effectiveness of operations. In accordance with the review plan approved by the Board, risk management and internal control systems are reviewed annually and the results are subsequently reported to the Board through the Audit Committee.

With reference to the assessment of the independent professionals, the Directors and the Audit Committee conducted its annual review of the risk management and internal control system maintained by the Group including the financial, operational and compliance controls and risk management functions during the year ended 31 December 2023 and were satisfied that it is effective and adequate. The Board determined that such systems are sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against material misstatement, loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. The Directors will continue to engage external independent professionals to review the adequacy and effectiveness of the Group's internal control systems and will continue to review the need for setting up an internal audit function.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS POLICY

The Company enhances investor relations and communications through various channels. Information of the Company shall be communicated to the shareholders of the Company and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings of the Company and other meetings that may be convened, during which the Directors and designated senior management will attend the meeting and respond to requests for information and queries from the shareholders of the Company and the investment community. The Chairman of the Board and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meetings of the Company and to answer any questions if necessary. Taking into account the enquiries from Shareholders received by the Company and raised at the annual general meeting ("AGM") of the Company held on 17 May 2023, the Board has reviewed the implementation of the shareholders' communications policy and is satisfied that it has been effective for the Board to understand the views and opinion of the shareholders through the available channels.

Shareholders are encouraged to attend the annual general meetings of the Company. Notice of the annual general meetings and related papers shall be sent to shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such documents shall be also made available on the Company's website (<http://www.irasia.com/listco/hk/juteng>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>).

Shareholders of the Company and the investor community may also provide their views on matters affecting the Company via email at the email address of the Company at ir@juteng-intl.com.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company (the "Shareholders", each a "Shareholder") to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

- (a) One or more Shareholders (the "Requisitionist(s)") 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 shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.
- (b) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@juteng-intl.com.
- (c) The EGM shall be held within two months after the deposit of such Requisition.
- (d) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (or 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 Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

- (a) Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.
- (b) Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@juteng-intl.com.
- (c) Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

CORPORATE GOVERNANCE REPORT

Procedures and contact details for putting forward proposals at shareholders' meetings

- (a) To put forward resolutions to be considered at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposed resolution(s) (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@juteng-intl.com.
- (b) The identity of the Shareholder and his/her/its request will be verified with the Company's Hong Kong branch share registrar and upon confirmation by the Hong Kong branch share registrar that such Shareholder is entitled to make such request, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.
- (c) The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:
 - (i) Notice of not less than 21 days in writing if the Proposal requires approval by way of an ordinary resolution or a special resolution in an annual general meeting of the Company;
 - (ii) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than an annual general meeting.



To the shareholders of Ju Teng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ju Teng International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 143, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Ju Teng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

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

Assessment of inventory provision

As at 31 December 2023, the net carrying value of the Group's inventories amounted to HK\$1,538,625,000. The assessment of inventory provision is based on the estimated net realisable value of inventories, which requires significant management judgements and estimates. Management considers various factors, including the conditions and ageing of inventories, sales pattern and selling prices of inventories, market demand and the Group's future plan of usage and sale of inventories. Management's provision assessment involves a high level of judgements and estimates, and is subject to uncertainty due to rapid changes of the notebook and tablet computer market.

Related disclosures about inventories are included in notes 3 and 18 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included, among others, evaluating management's assessment methodology based on the Group's circumstances, and evaluating the inputs and assumptions applied by management in performing the provision assessment by reviewing the ageing, the historical usage and sales patterns, the post year-end usage, sales and selling prices, of selected samples of inventories.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Ju Teng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Key audit matters (continued)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment

As at 31 December 2023, the net carrying amount of the Group's property, plant and equipment was HK\$5,679,602,000. These property, plant and equipment relate to the manufacture and sale of casings for notebook computer and handheld devices cash-generating unit. Management assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting year, and performs impairment assessment when an impairment indicator is identified. The impairment assessment is based on the recoverable amount of the cash-generating unit. Management's assessment process involves significant judgements and estimates, including the estimation of expected future cash flows and the use of other assumptions, such as terminal growth rate and discount rate applied, which are sensitive to expected future market or economic conditions and the cash-generating unit's actual performance.

Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the methodologies and key assumptions used by management in the discounted cash flow forecasts, including discount rate and terminal growth rate. We also compared the forecasts prepared by management with the historical performance of the cash-generating unit and the business development plan.

Related disclosures about property, plant and equipment are included in notes 3 and 13 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Ju Teng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Ju Teng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

(continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Ju Teng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

(continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Kwong Ka Yan.



Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

18 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|--------------------|------------------|
| REVENUE | 5 | 6,936,056 | 8,255,947 |
| Cost of sales | | (6,428,556) | (7,792,204) |
| Gross profit | | 507,500 | 463,743 |
| Other income and gains | 5 | 279,626 | 1,093,976 |
| Selling and distribution expenses | | (145,996) | (170,007) |
| Administrative expenses | | (518,044) | (635,639) |
| Other expenses | | (75,122) | (391,986) |
| Finance costs | 6 | (214,562) | (121,573) |
| Share of loss of an associate | | (47) | (7) |
| PROFIT/(LOSS) BEFORE TAX | 7 | (166,645) | 238,507 |
| Income tax expense | 10 | (162,176) | (180,404) |
| PROFIT/(LOSS) FOR THE YEAR | | (328,821) | 58,103 |
| Attributable to: | | | |
| Equity holders of the Company | | (230,815) | 172,149 |
| Non-controlling interests | | (98,006) | (114,046) |
| | | (328,821) | 58,103 |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 12 | | |
| – Basic (HK cents) | | (27.3) | 20.4 |
| – Diluted (HK cents) | | (27.3) | 20.4 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| PROFIT/(LOSS) FOR THE YEAR | | (328,821) | 58,103 |
| OTHER COMPREHENSIVE INCOME/(EXPENSES) | | | |
| Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | (309,785) | (1,091,711) |
| Release of exchange fluctuation reserve upon disposal of a subsidiary | | (15,993) | – |
| | | (325,778) | (1,091,711) |
| Other comprehensive income/(expenses) that will not be reclassified to profit or loss in subsequent periods: | | | |
| Equity investment designated at fair value through other comprehensive income: | | | |
| Change in fair value | 21 | 11,824 | (5,429) |
| Income tax effect | 16 | (1,437) | – |
| | | 10,387 | (5,429) |
| OTHER COMPREHENSIVE EXPENSES FOR THE YEAR, NET OF TAX | | (315,391) | (1,097,140) |
| TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR | | (644,212) | (1,039,037) |
| Attributable to: | | | |
| Equity holders of the Company | | (530,656) | (738,373) |
| Non-controlling interests | | (113,556) | (300,664) |
| | | (644,212) | (1,039,037) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

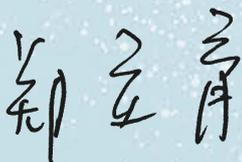
31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|---------------------|---------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 5,679,602 | 6,587,803 |
| Right-of-use assets | 14(a) | 807,247 | 887,421 |
| Deferred tax assets | 16 | 7,102 | 14,210 |
| Prepayments for acquisition of property, plant and equipment | | 7,974 | 30,356 |
| Investment in an associate | 17 | – | 12,654 |
| Equity investment designated at fair value through other comprehensive income | 21 | 25,236 | 13,489 |
| Total non-current assets | | 6,527,161 | 7,545,933 |
| CURRENT ASSETS | | | |
| Inventories | 18 | 1,538,625 | 2,193,695 |
| Trade receivables | 19 | 2,486,447 | 2,420,946 |
| Prepayments, deposits and other receivables | 20 | 178,093 | 193,690 |
| Pledged and restricted bank balances | 22 | 111,876 | 102,659 |
| Cash and cash equivalents | 22 | 1,221,852 | 1,706,797 |
| Non-current assets classified as held for sale | 23 | 5,536,893 91,460 | 6,617,787 26,210 |
| Total current assets | | 5,628,353 | 6,643,997 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 24 | 890,797 | 822,603 |
| Other payables and accruals | 25 | 1,077,187 | 1,445,517 |
| Lease liabilities | 14(b) | 133,100 | 244,513 |
| Tax payable | | 39,189 | 51,245 |
| Derivative financial instruments | 26 | – | 1,676 |
| Interest-bearing bank and other borrowings | 27 | 2,539,139 | 3,048,744 |
| Total current liabilities | | 4,679,412 | 5,614,298 |
| NET CURRENT ASSETS | | 948,941 | 1,029,699 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 7,476,102 | 8,575,632 |

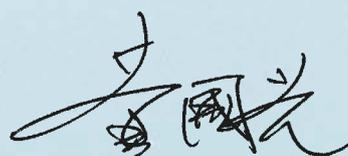
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 27 | 597,475 | 994,384 |
| Deferred income | 28 | 40,922 | 42,625 |
| Lease liabilities | 14(b) | 9,265 | 21,764 |
| Deferred tax liabilities | 16 | 71,648 | 73,572 |
| Total non-current liabilities | | 719,310 | 1,132,345 |
| Net assets | | 6,756,792 | 7,443,287 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | 29 | 120,001 | 120,001 |
| Reserves | 31 | 5,345,443 | 5,918,382 |
| | | 5,465,444 | 6,038,383 |
| Non-controlling interests | | 1,291,348 | 1,404,904 |
| Total equity | | 6,756,792 | 7,443,287 |



Cheng Li-Yu
Director



Huang Kuo-Kuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

| | Attributable to equity holders of the Company | | | | | | | | | | | | | | | | | | | | | | |
|--|---|----------------------------|-----------------------------------|--|---|------------------------------------|--|------------------------------|--------------------------------|----------------------------|---|--------------------------|-------------|----------|----------|----------|----------|----------|----------|----------|----------------|--|--|
| | Note | Issued capital HK\$'000 | Share premium account HK\$'000 | Shares held under share award plan HK\$'000 | Employee share-based compensation reserve HK\$'000 | Statutory reserve fund HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Fair value reserve HK\$'000 | Other reserves HK\$'000 | Non-controlling interests Total HK\$'000 | Total equity HK\$'000 | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | (Note 29) | Note (c) | Note (c) | Note (c) | (a), (c) | Note (c) | Note (c) | Note (c) | Notes (b), (c) | | |
| At 1 January 2022 | | 120,001 | 187,919 | (745,831) | 57,971 | 520,715 | 501,669 | 5,871,491 | 4,235 | 323,963 | 6,842,133 | 1,705,568 | 8,547,701 | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | 172,149 | - | - | 172,149 | (114,046) | 58,103 | | | | | | | | | | |
| Other comprehensive expenses for the year: | | | | | | | | | | | | | | | | | | | | | | | |
| Change in fair value of an equity investment designated at fair value through other comprehensive income, net of tax | | - | - | - | - | - | - | - | (5,429) | - | (5,429) | - | (5,429) | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | (905,093) | - | - | - | (905,093) | (186,618) | (1,091,711) | | | | | | | | | | |
| Total comprehensive income/(expenses) for the year | | - | - | - | - | - | (905,093) | 172,149 | (5,429) | - | (738,373) | (300,664) | (1,039,037) | | | | | | | | | | |
| Dividend received under the share award plan | | - | - | 28,348 | - | - | - | - | - | - | 28,348 | - | 28,348 | | | | | | | | | | |
| Share-based compensation arrangements | 30 | - | - | - | 2,276 | - | - | - | - | - | 2,276 | - | 2,276 | | | | | | | | | | |
| Transfer from retained profits | | - | - | - | - | 29,027 | - | (29,027) | - | - | - | - | - | | | | | | | | | | |
| 2021 final dividend | | - | - | - | - | - | - | (96,001) | - | - | (96,001) | - | (96,001) | | | | | | | | | | |
| At 31 December 2022 | | 120,001 | 187,919 | (717,483) | 60,247 | 549,742 | (403,424) | 5,918,612 | (1,194) | 323,963 | 6,038,383 | 1,404,904 | 7,443,287 | | | | | | | | | | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2023

| | Attributable to equity holders of the Company | | | | | | | | | | | | |
|--|---|----------------------------|-----------------------------------|---|--|------------------------------------|--|------------------------------|--------------------------------|----------------------------|---------------------------------------|--------------------------|-----------|
| | Note | Issued capital HK\$'000 | Share premium account HK\$'000 | Shares | Employee | Statutory reserve fund HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Fair value reserve HK\$'000 | Other reserves HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 | |
| | | | | held under share award plan HK\$'000 | share-based compensation reserve HK\$'000 | | | | | | | | |
| | (Note 29) | Note (c) | Note (c) | Note (c) | (a), (c) | Note (c) | Note (c) | Note (c) | Notes (b), (c) | | | | |
| At 1 January 2023 | | 120,001 | 187,919 | (717,483) | 60,247 | 549,742 | (403,424) | 5,918,612 | (1,194) | 323,963 | 6,038,383 | 1,404,904 | 7,443,287 |
| Loss for the year | | - | - | - | - | - | - | (230,815) | - | - | (230,815) | (98,006) | (328,821) |
| Other comprehensive income/(expenses) for the year: | | | | | | | | | | | | | |
| Change in fair value of an equity investment designated at fair value through other comprehensive income, net of tax | | - | - | - | - | - | - | - | 10,387 | - | 10,387 | - | 10,387 |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | (294,235) | - | - | - | (294,235) | (15,550) | (309,785) |
| Release of exchange fluctuation reserve upon disposal of a subsidiary | | - | - | - | - | - | (15,993) | - | - | - | (15,993) | - | (15,993) |
| Total comprehensive income/(expenses) for the year | | - | - | - | - | - | (310,228) | (230,815) | 10,387 | - | (530,656) | (113,556) | (644,212) |
| Dividend received under the share award plan | | - | - | 17,717 | - | - | - | - | - | - | 17,717 | - | 17,717 |
| Transfer of employee share-based compensation reserve upon the forfeiture of share options | 30 | - | - | - | (6,109) | - | - | 6,109 | - | - | - | - | - |
| Transfer from retained profits | | - | - | - | - | 44,174 | - | (44,174) | - | - | - | - | - |
| 2022 final dividend | | - | - | - | - | - | - | (60,000) | - | - | (60,000) | - | (60,000) |
| At 31 December 2023 | | 120,001 | 187,919 | (699,766) | 54,138 | 593,916 | (713,652) | 5,589,732 | 9,193 | 323,963 | 5,465,444 | 1,291,348 | 6,756,792 |

Notes:

- In accordance with the relevant regulations in the People's Republic of China (the "PRC" or "Chinese Mainland"), the Company's subsidiaries established in the PRC are required to transfer a certain percentage of their profit after tax to the statutory reserve fund. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, the statutory reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital.
- The other reserves comprise capital reserve which represents profits of the Company's subsidiaries capitalised during the prior years and other capital reserve.
- These reserve accounts comprise the consolidated reserves of HK\$5,345,443,000 (2022: HK\$5,918,382,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | (166,645) | 238,507 |
| Adjustments for: | | | |
| Finance costs | 6 | 214,562 | 121,573 |
| Share of loss of an associate | 17 | 47 | 7 |
| Interest income | 5 | (28,167) | (8,676) |
| Dividend income | 5 | (334) | (705) |
| Write-off of long outstanding trade payables | 5 | – | (827) |
| Write-off of long outstanding other payables and accruals | 5 | (2,110) | (728) |
| Depreciation of property, plant and equipment | 7 | 812,325 | 1,001,293 |
| Depreciation of right-of-use assets | 7 | 21,825 | 23,803 |
| Loss/(gain) on disposal of items of property, plant and equipment and right-of-use assets, net | 7 | 2,344 | (525,446) |
| Gain on modification of a lease | 5 | (7,375) | – |
| Loss on disposal of non-current assets classified as held for sale | 7 | 964 | – |
| Gain on deregistration of an associate | | (632) | – |
| Gain on disposal of a subsidiary | 5 | (42,507) | – |
| Gain on early termination of a lease | | (516) | – |
| Impairment of goodwill | 15 | – | 52,488 |
| Impairment of property, plant and equipment | 13 | 45,000 | 285,401 |
| Impairment/(reversal of impairment) of trade receivables | 19 | (1,574) | 1,685 |
| Write-off/(write-back) of trade receivables | 7 | 4,729 | (2,523) |
| Provision/(reversal of provision) for inventories, net | 7 | (40,518) | 108,229 |
| Recognition of subsidy income | 33(a) | – | (69,429) |
| Fair value loss on derivative financial instruments, net | 7 | 15,855 | 45,885 |
| Equity-settled share option expenses | 30(a) | – | 2,276 |
| | | 827,273 | 1,272,813 |
| Decrease in inventories | | 638,479 | 116,871 |
| Decrease/(increase) in trade receivables | | (131,815) | 1,599,469 |
| Decrease in prepayments, deposits and other receivables | 33(a) | 14,904 | 149,301 |
| Movement in derivative financial instruments | | (17,531) | (40,725) |
| Increase/(decrease) in trade and bills payables | | 87,960 | (433,985) |
| Decrease in other payables and accruals | | (451,192) | (150,328) |
| | | 968,078 | 2,513,416 |
| Cash generated from operations | | 968,078 | 2,513,416 |

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | | 968,078 | 2,513,416 |
| PRC income tax paid | | (66,389) | (107,957) |
| PRC income tax refunded | | – | 1,604 |
| Overseas income tax refunded | | 2,047 | – |
| Overseas income tax paid | | (3,353) | (7,132) |
| Withholding tax paid | | (106,446) | (20,456) |
| Interest received | | 28,167 | 8,676 |
| Interest paid | | (224,049) | (132,277) |
| Net cash flows from operating activities | | 598,055 | 2,255,874 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | (170,841) | (516,032) |
| Proceeds from disposal of items of property, plant and equipment and right-of-use assets | 33(a) | 15,518 | 95,113 |
| Proceeds from disposal of non-current assets classified as held for sale | 33(a) | 20,376 | – |
| Investment in an associate | | – | (12,661) |
| Disposal of a subsidiary | | 26,514 | – |
| Increase in pledged and restricted bank balances | | (9,217) | (27,915) |
| Increase in prepayments for acquisition of property, plant and equipment | | (7,974) | (30,356) |
| Proceeds from deregistration of an associate | | 13,218 | – |
| Dividends received | | 334 | 705 |
| Net cash flows used in investing activities | | (112,072) | (491,146) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans and other borrowings | | 2,647,346 | 5,287,678 |
| Repayment of bank loans and other borrowings | | (3,478,553) | (6,023,909) |
| Dividend paid | | (60,000) | (96,001) |
| Dividend received under the share award plan | | 17,717 | 28,348 |
| Principal portion of lease payments | | (88,223) | (32,257) |
| Net cash flows used in financing activities | | (961,713) | (836,141) |

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (475,730) | 928,587 |
| Cash and cash equivalents at beginning of year | | 1,706,797 | 848,600 |
| Effect of foreign exchange rate changes, net | | (9,215) | (70,390) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 1,221,852 | 1,706,797 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 22 | 1,221,852 | 1,706,797 |
| Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows | | 1,221,852 | 1,706,797 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Ju Teng International Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of casings for notebook computer and handheld devices. The registered address of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Information about subsidiaries

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

| Company name | Place of incorporation/ registration and business | Issued and paid-up share/ registered capital | Equity interest attributable to the Company | Principal activities |
|---|---|--|---|--|
| Best Alliance Holding Inc. ^ | British Virgin Islands (“BVI”)/ The Republic of China (The “ROC”) | US\$52,600,000 Ordinary | 100% | Investment holding |
| Giant Glory International Limited | Samoa/ROC | US\$49,777,419 Ordinary | 100% | Investment holding |
| Everyday Computer Components (Suzhou) Co., Ltd. * | PRC | US\$52,500,000 | 100% | Manufacture and sale of casings |
| Suzhou Dazhi Communication Accessory Co., Ltd. * | PRC | US\$148,500,000 | 100% | Manufacture and sale of casings |
| Ju Teng (Neijiang) Communication Accessory Co., Ltd. * | PRC | US\$101,000,000 | 100% | Manufacture and sale of casings |
| Tri-Great International Limited | Samoa/ROC | US\$1,000,000 Ordinary | 100% | Sale of casings and related materials |
| Gi Li Co., Ltd. | ROC | NT\$105,000,000 Ordinary | 100% | Sale of casings and related materials |
| Grand Develop Investments Limited | Hong Kong | HK\$1 Ordinary | 100% | Provision of general administrative and support services |
| Mindforce Holdings Limited (“Mindforce”) | BVI/ROC | US\$75,101,000 Ordinary | 71% | Investment holding |
| WIS Precision (Kunshan) Co., Ltd. * | PRC | US\$25,000,000 | 71% | Manufacture and sale of casings |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

| Company name | Place of incorporation/ registration and business | Issued and paid-up share/ registered capital | Equity interest attributable to the Company | Principal activities |
|--|--|--|---|---|
| WIS Precision (Taizhou) Co., Ltd. * | PRC | US\$69,800,000 | 71% | Manufacture and sale of casings |
| Dynamic Apex Limited | Macau | MOP100,000 | 100% | Sale of casings and related materials |
| Fullerton Ltd. | Samoa/ROC | US\$31,749,800 Ordinary | 71% | Investment holding and sale of computer equipment and peripherals |
| Lian-Yi Precision (Zhongshan) Inc. * | PRC | US\$33,400,000 | 71% | Manufacture and sale of computer equipment and peripherals |
| Wah Yuen Technology Holding Limited ("Wah Yuen") | Mauritius/ROC | US\$261,758,240 Ordinary | 59.28% | Investment holding |
| Hong Ya Technology Corp. | ROC | NT\$475,577,800 Ordinary | 59.28% | Manufacture and sale of casings |
| Compal Precision Module China Holdings Ltd. | Mauritius/ROC | US\$236,267,926 Ordinary | 59.28% | Investment holding and sale of casings and related materials |
| Compal Precision Module (Jiangsu) Company Limited * | PRC | US\$420,000,000 | 59.28% | Manufacture and sale of casings |
| Compal Electronic Technology (Chongqing) Co., Ltd. * | PRC | US\$60,000,000 | 59.28% | Manufacture and sale of casings |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

| Company name | Place of incorporation/ registration and business | Issued and paid-up share/ registered capital | Equity interest attributable to the Company | Principal activities |
|--|--|--|---|--------------------------------------|
| Jiang Su Inoac Juteng Polymer Co., Ltd. * | PRC | US\$6,000,000 | 81.46% | Manufacture and sale of materials |
| Wujiang Dading Precision Mould Co., Ltd. * | PRC | US\$80,000,000 | 100% | Manufacture and sale of casings |
| Tasun (Chongqing) Electronic Technology Co., Ltd. * | PRC | US\$90,000,000 | 100% | Manufacture and sale of casings |
| Dongxu Juteng Electronic Material (Jurong) Co. Ltd. * | PRC | US\$1,000,000 | 51% | Manufacture and sale of materials |
| He Li Cheng Electronic Material (Chong Qing) Co. Ltd. * | PRC | US\$700,000 | 51% | Manufacture and sale of materials |
| Juteng Electronic Technology (Taizhou) Co., Ltd. * | PRC | US\$180,000,000 | 100% | Manufacture and sale of casings |
| Ju Teng Electronic Technology (Vietnam) Limited | Vietnam | US\$22,090,000 | 71.5% | Manufacture and sale of casings |

* Registered as wholly-foreign-owned enterprises under the PRC law

^ Directly held by the Company

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Disposal of a subsidiary

On 29 January 2023, the Group disposed of its entire interest in Ju Teng Electronics (Shanghai) Co., Limited (“Ju Teng Electronics (Shanghai)”), an indirectly held wholly-owned subsidiary, to an independent third party for a cash consideration of HK\$26,514,000.

| | 2023 HK\$'000 |
|----------------------------------|------------------|
| Exchange fluctuation reserve | (15,993) |
| Gain on disposal of a subsidiary | 42,507 |
| Total consideration | 26,514 |
| Satisfied by: | |
| Cash | 26,514 |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Ju Teng Electronics (Shanghai) is as follows:

| | 2023 HK\$'000 |
|--|------------------|
| Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary | 26,514 |

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and an equity investment designated at fair value through other comprehensive income which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of Preparation *(continued)*

Basis of consolidation

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

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

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss 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. ACCOUNTING POLICIES *(continued)*

2.2 Changes in Accounting Policies and Disclosures

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

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

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively.

The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

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

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

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

³ No mandatory effective date yet determined but available for adoption

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

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

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

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

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

2.4 Material Accounting Policies

Investment in an associate

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Investment in an associate *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investment 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Fair value measurement *(continued)*

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.

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, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Impairment of non-financial assets *(continued)*

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

Property, plant and equipment and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the items of property, plant and equipment are as follows:

| | |
|--|---------------------------------------|
| Freehold land | Not depreciated |
| Buildings | 20 years |
| Leasehold improvements | Over the lease terms or 5 to 10 years |
| Machinery | 5 to 10 years |
| Furniture, fixtures and office equipment | 5 years |
| Motor vehicles | 5 years |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated.

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less 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 land | 50 years |
| Properties | 1 to 5 years |
| Motor vehicles | 3 years |

(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.

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office properties 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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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 overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Income tax (continued)

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.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Income tax (continued)

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.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in central pension schemes operated by the relevant government authorities. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

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

The Group also operates a defined contribution retirement benefit scheme under the Labor Pension Act (the "Act") for its employees employed by the Group's subsidiary in the ROC. Based on the Act, the Group's monthly contribution to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labour pension accounts at the Bureau of Labor Insurance.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Employee benefits (continued)

Share-based payments

The Company operates share option schemes and a share award plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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).

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Foreign currencies *(continued)*

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

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;

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Related parties (continued)

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

- (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.

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, 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 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.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Investments and other financial assets (continued)

Initial recognition and measurement *(continued)*

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

Subsequent measurement

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 statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Derecognition of financial assets

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

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

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

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

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Impairment of financial assets (continued)

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due. The Group has rebutted the 30 days past due presumption of significant increase in credit risk based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of contractual payments over 30 days past due. However, the Group may also consider a significant increase in credit risk when internal or external information indicates that the Group is less likely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group considers a financial asset in default when contractual payments are 120 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Impairment of financial assets (continued)

General approach *(continued)*

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.

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 and bills payables, financial liabilities included in other payables and accruals, lease liabilities, derivative financial instrument and interest-bearing bank and other borrowings.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Derecognition of financial liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Treasury shares

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

Cash and cash equivalents

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

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

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material Accounting Policies *(continued)*

Government grants *(continued)*

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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.

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

Rental income is recognised on a time proportion basis over the lease terms.

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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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).

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. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 13 to the financial statements.

Provision for expected credit losses on trade receivables

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

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 market conditions (such as global shipments of personal computers and gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade receivables *(continued)*

The assessment of the correlation among historical observed default rates, forecast market conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Write-down of inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management considers various factors, including the conditions and ageing of inventories, sales pattern and selling prices of inventories, market demand and the Group's future plan of usage and sale of inventories. Management reassesses the estimation at the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories carried as assets in the consolidated statement of financial position as at 31 December 2023 was HK\$1,538,625,000 (2022: HK\$2,193,695,000), details of which are set out in note 18 to the financial statements.

Judgements

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Withholding taxes

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

In estimating the withholding taxes on dividends to be distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008, the directors have made assessment based on factors which include the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of casings for notebook computer and handheld devices. For management purposes, the Group operates in one business unit based on its casing products, and has one reportable operating segment.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(i) Revenue from external customers:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|------------------------------|------------------|------------------|
| The PRC, excluding Hong Kong | 6,495,182 | 7,942,911 |
| Others | 440,874 | 313,036 |
| Total Revenue | 6,936,056 | 8,255,947 |

The revenue information above is based on the locations where the products are delivered to the customers.

During the years ended 31 December 2023 and 31 December 2022, except for the revenue from external customers in the PRC, the Group's revenue derived from each of other locations was less than 10% of the Group's revenue. Comparative figures have been restated to group the revenue from external customers of other locations into "Others".

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(ii) Non-current assets:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------------|------------------|------------------|
| The PRC, excluding Hong Kong | 6,031,433 | 7,065,638 |
| The Socialist Republic of Vietnam | 307,987 | 272,034 |
| The ROC | 152,973 | 164,014 |
| Others | 2,430 | 16,548 |
| Total non-current assets | 6,494,823 | 7,518,234 |

The non-current asset information above, excluding an equity investment designated at fair value through other comprehensive income and deferred tax assets, is based on the locations of the assets.

Information about major customers

Revenues of approximately HK\$1,659,793,000, HK\$1,441,042,000, HK\$1,033,489,000, HK\$793,395,000 and HK\$745,026,000 for the year ended 31 December 2023 were derived from sales to five major groups of customers, the revenue from each of which accounted for 10% or more of the Group's revenue.

Revenues of approximately HK\$1,933,994,000, HK\$1,728,715,000, HK\$1,400,030,000 and HK\$1,064,670,000 for the year ended 31 December 2022 were derived from sales to four major groups of customers, the revenue from each of which accounted for 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Revenue from contracts with customers | | |
| Sale of casings for notebook computer and handheld devices | 6,936,056 | 8,255,947 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Geographical markets | | |
| The PRC, excluding Hong Kong | 6,495,182 | 7,942,911 |
| Others | 440,874 | 313,036 |
| | 6,936,056 | 8,255,947 |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 6,936,056 | 8,255,947 |

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of casings for notebook computer and handheld devices | 53,851 | 32,483 |

(ii) Performance obligation

Sale of casings for notebook computer and handheld devices

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 120 days from delivery.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Other income and gains | | |
| Interest income | 28,167 | 8,676 |
| Subsidy income [#] | 38,268 | 121,471 |
| Compensation income | 23,054 | 11,075 |
| Dividend income | 334 | 705 |
| Gross rental income | 22,803 | 26,147 |
| Reversal of impairment of trade receivables | 1,574 | – |
| Write-back of trade receivables | – | 2,523 |
| Write-off of long outstanding trade payables | – | 827 |
| Write-off of long outstanding other payables and accruals | 2,110 | 728 |
| Gain on disposal of items of property, plant and equipment and right-of-use assets, net [*] | – | 525,446 |
| Gain on disposal of a subsidiary | 42,507 | – |
| Gain on modification of a lease | 7,375 | – |
| Foreign exchange gains, net | 111,780 | 394,900 |
| Others | 1,654 | 1,478 |
| Total other income and gains | 279,626 | 1,093,976 |

[#] Various government subsidies have been received for enterprises engaged in businesses in Chinese Mainland for promoting the manufacturing industry. There are no unfulfilled conditions or contingencies relating to these subsidies. For the year ended 31 December 2022, a government subsidy of approximately HK\$73,463,000 for the Group's relocation of certain production plants in Suzhou, the PRC, due to the urban planning (the "Relocation"), was recognised as subsidy income upon completion of the Relocation during that year.

^{*} For the year ended 31 December 2022, pursuant to the Relocation, the Group disposed of certain of its items of property, plant and equipment and right-of-use assets in Suzhou and government compensation income of approximately HK\$559,223,000, net of the carrying amounts of the items of property, plant and equipment and right-of-use assets surrendered by the Group, was recognised as gain on disposal of items of property, plant and equipment and right-of-use assets upon completion of the Relocation during that year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Interest on bank loans and other borrowings | 223,616 | 131,257 |
| Interest on lease liabilities | 433 | 1,020 |
| Total interest expense on financial liabilities not at fair value through profit or loss | 224,049 | 132,277 |
| Less: Interest capitalised | (9,487) | (10,704) |
| | 214,562 | 121,573 |

7. PROFIT/(LOSS) BEFORE TAX

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

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------|------------------|
| Cost of inventories sold* | | 6,428,556 | 7,792,204 |
| Auditor's remuneration | | 4,380 | 4,350 |
| Gain on disposal of a subsidiary | 1 | (42,507) | – |
| Gain on deregistration of an associate | 17 | (632) | – |
| Depreciation of property, plant and equipment | 13 | 812,325 | 1,001,293 |
| Depreciation of right-of-use assets | 14(a) | 21,825 | 23,803 |
| Lease payments not included in the measurement of lease liabilities | 14(c) | 2,020 | 3,143 |
| Provision/(reversal of provision) for inventories, net** | | (40,518) | 108,229 |
| Impairment of goodwill*** | 15 | – | 52,488 |
| Impairment of property, plant and equipment*** | 13 | 45,000 | 285,401 |
| Impairment/(reversal of impairment) of trade receivables**** | 19 | (1,574) | 1,685 |
| Write-off/(write-back) of trade receivables**** | | 4,729 | (2,523) |
| Employee benefit expense (excluding directors' remuneration – note 8): | | | |
| Wages and salaries, bonuses, allowances and welfare | | 1,724,693 | 2,315,635 |
| Equity-settled share option expenses | | – | 1,979 |
| Pension scheme contributions (defined contribution scheme)***** | | 131,052 | 163,193 |
| | | 1,855,745 | 2,480,807 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. PROFIT/(LOSS) BEFORE TAX (continued)

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

| Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Gross rental income on owner-occupied properties and machinery | (22,803) | (26,147) |
| Less: Direct operating expenses arising from rental-earning owner-occupied properties and machinery | 4,421 | 4,813 |
| Net rental income | (18,382) | (21,334) |
| Loss/(gain) on disposal of items of property, plant and equipment and right-of-use assets, net [#] | 2,344 | (525,446) |
| Loss on disposal of non-current assets classified as held for sale ^{***} | 964 | – |
| Fair value losses on derivative financial instruments, net ^{***} | | |
| Realised losses | 15,855 | 40,725 |
| Unrealised losses | – | 5,160 |
| Foreign exchange gains, net ^{##} | (111,780) | (394,900) |

* Cost of inventories sold includes HK\$1,304,926,000 (2022: HK\$3,412,262,000) relating to depreciation, employee benefit expense, and provision/(reversal of provision) for inventories, net, which are also included in the total amounts disclosed above for each of these types of expenses.

** Included in "Cost of sales" on the face of the consolidated statement of profit or loss.

*** Included in "Other expenses" on the face of the consolidated statement of profit or loss.

**** Write-off of trade receivables and impairment of trade receivables are included in "Other expenses" on the face of the consolidated statement of profit or loss. Write-back of trade receivables and reversal of impairment of trade receivables are included in "Other income and gains" on the face of the consolidated statement of profit or loss.

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

Gain on disposal of items of property, plant and equipment and right-of-use assets, net, is included in "Other income and gains" on the face of the consolidated statement of profit or loss. Loss on disposal of items of property, plant and equipment is included in "Other expenses" on the face of the consolidated statement of profit or loss.

Foreign exchange gains, net, included in "Other income and gains" on the face of the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Fees | 1,188 | 781 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 5,511 | 6,208 |
| Performance related bonuses | 402 | 350 |
| Share-based payments | – | 297 |
| Pension scheme contributions | 34 | 35 |
| | 5,947 | 6,890 |
| | 7,135 | 7,671 |

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair values of such options, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the prior year are included in the above directors' and chief executive's remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

(a) Independent non-executive directors

The fees and share-based payment expenses paid to independent non-executive directors during the year were as follows:

2023

| Name of director | Fees HK\$'000 | Share-based payments HK\$'000 | Total remuneration HK\$'000 |
|----------------------|------------------|-------------------------------------|-----------------------------------|
| Mr. Cherng Chia-Jiun | 198 | – | 198 |
| Mr. Tsai Wen-Yu | 198 | – | 198 |
| Mr. Yip Wai Ming | 198 | – | 198 |
| Mr. Yuen Chi Ho | 198 | – | 198 |
| | 792 | – | 792 |

2022

| Name of director | Fees HK\$'000 | Share-based payments HK\$'000 | Total remuneration HK\$'000 |
|------------------------------|------------------|-------------------------------------|-----------------------------------|
| Mr. Cherng Chia-Jiun | 198 | 19 | 217 |
| Mr. Tsai Wen-Yu | 198 | 19 | 217 |
| Mr. Yip Wai Ming | 198 | 19 | 217 |
| Mr. Yuen Chi Ho [#] | 14 | – | 14 |
| | 608 | 57 | 665 |

[#] On 6 December 2022, Mr. Yuen Chi Ho was appointed as an independent non-executive director of the Company.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

(b) Executive directors, a non-executive director and the chief executive

| Name of director | Fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Performance related bonuses HK\$'000 | Share-based payments HK\$'000 | Pension scheme contributions HK\$'000 | Total remuneration HK\$'000 |
|-------------------------|------------------|--|---|-------------------------------------|--|-----------------------------------|
| 2023 | | | | | | |
| Executive directors: | | | | | | |
| Mr. Cheng Li-Yu | – | 801 | 120 | – | – | 921 |
| Mr. Huang Kuo-Kuang | – | 1,016 | – | – | 16 | 1,032 |
| Mr. Chiu Hui-Chin | 198 | – | – | – | – | 198 |
| Mr. Lin Feng-Chieh | – | 1,879 | 282 | – | – | 2,161 |
| Mr. Tsui Yung Kwok | – | 1,815 | – | – | 18 | 1,833 |
| Non-executive director: | | | | | | |
| Mr. Cheng Li-Yen | 198 | – | – | – | – | 198 |
| | 396 | 5,511 | 402 | – | 34 | 6,343 |

| Name of director | Fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Performance related bonuses HK\$'000 | Share-based payments HK\$'000 | Pension scheme contributions HK\$'000 | Total remuneration HK\$'000 |
|-------------------------|------------------|--|---|-------------------------------------|--|-----------------------------------|
| 2022 | | | | | | |
| Executive directors: | | | | | | |
| Mr. Cheng Li-Yu* | – | 821 | 68 | – | – | 889 |
| Mr. Huang Kuo-Kuang | – | 909 | – | 64 | 17 | 990 |
| Mr. Chiu Hui-Chin* | 157 | 778 | – | 22 | – | 957 |
| Mr. Lin Feng-Chieh | – | 1,880 | 282 | 90 | – | 2,252 |
| Mr. Tsui Yung Kwok | – | 1,820 | – | 64 | 18 | 1,902 |
| Non-executive director: | | | | | | |
| Mr. Cheng Li-Yen** | 16 | – | – | – | – | 16 |
| | 173 | 6,208 | 350 | 240 | 35 | 7,006 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, a non-executive director and the chief executive *(continued)*

* On 16 March 2022, Mr. Chiu Hui-Chin ceased to be the chief executive officer of the Company and his annual salary was adjusted from HK\$3,731,000 to HK\$198,000; and Mr. Cheng Li-Yu was appointed as the chief executive officer of the Company.

** On 16 March 2022, Mr. Cheng Li-Yen was appointed as a non-executive director of the Company.

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

9. FIVE HIGHEST PAID EMPLOYEES

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 1,242 | 2,070 |
| Performance related bonuses | 1,482 | 1,761 |
| Equity-settled share option expenses | – | 405 |
| Pension scheme contributions | 37 | 48 |
| | 2,761 | 4,284 |

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

| | Number of employees | |
|--------------------------------|---------------------|----------|
| | 2023 | 2022 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 2 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | 1 |
| | 2 | 3 |

Share options were granted under the share option scheme of the Company to the non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not have any assessable profits arising in Hong Kong during the year (2022: Nil). Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Provision for the year: | | |
| Current – The PRC, excluding Hong Kong | | |
| Charge for the year | 162,464 | 103,600 |
| Underprovision in prior years | 4,916 | 18,756 |
| Current – Overseas | | |
| Charge for the year | 18,754 | 13,465 |
| Overprovision in prior years | (27,469) | (20,373) |
| Deferred tax (note 16) | 3,511 | 64,956 |
| Total tax charge for the year | 162,176 | 180,404 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates, ranging from 12% to 25% (2022: 12% to 25%), for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled, to the tax expense/(credit) at the effective tax rates is as follows:

2023

| | Hong Kong HK\$'000 | Macau HK\$'000 | The PRC, excluding Hong Kong and Macau HK\$'000 | Overseas HK\$'000 | Total HK\$'000 |
|---|-----------------------|-------------------|--|----------------------|-------------------|
| Profit/(loss) before tax | (18,228) | 25,614 | (47,357) | (126,674) | (166,645) |
| Tax at the statutory tax rate | (3,008) | 3,073 | (11,886) | (25,320) | (37,141) |
| Preferential tax rates | – | – | (26,147) | – | (26,147) |
| Effect of withholding tax at 10% on the distributed profits of PRC subsidiaries | – | – | 106,446 | – | 106,446 |
| Adjustments in respect of current tax of previous periods | – | – | 4,916 | (27,469) | (22,553) |
| Income not subject to tax | (347) | – | (13,086) | (13,563) | (26,996) |
| Expenses not deductible for tax | 3,355 | – | 23,943 | 54,563 | 81,861 |
| Tax losses not recognised | – | – | 88,809 | – | 88,809 |
| Others | – | – | (2,103) | – | (2,103) |
| Tax charge/(credit) at the Group's effective rate | – | 3,073 | 170,892 | (11,789) | 162,176 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX (continued)

2022

| | Hong Kong HK\$'000 | Macau HK\$'000 | The PRC, excluding Hong Kong and Macau HK\$'000 | Overseas HK\$'000 | Total HK\$'000 |
|--|-----------------------|-------------------|--|----------------------|-------------------|
| Profit/(loss) before tax | (16,688) | 7,869 | 292,714 | (45,388) | 238,507 |
| Tax at the statutory tax rate | (2,754) | 945 | 73,179 | (9,245) | 62,125 |
| Preferential tax rates | – | – | (21,262) | – | (21,262) |
| Effect of withholding tax at 10% on the distributed profit of a PRC subsidiary | – | – | 3,916 | – | 3,916 |
| Effect of withholding tax at 12% on the distributable profit of a Macau subsidiary | – | 9,790 | – | – | 9,790 |
| Effect of withholding tax at 10% on capital gain | – | – | 16,540 | – | 16,540 |
| Adjustments in respect of current tax of previous periods | – | – | 18,756 | (20,373) | (1,617) |
| Income not subject to tax | (104) | – | (38,580) | (7,261) | (45,945) |
| Expenses not deductible for tax | 2,858 | – | 112,985 | 29,933 | 145,776 |
| Tax losses not recognised | – | – | 50,251 | – | 50,251 |
| Tax losses utilised from prior periods | – | – | (38,285) | – | (38,285) |
| Temporary differences not recognised | – | – | – | 38 | 38 |
| Others | – | – | (923) | – | (923) |
| Tax charge/(credit) at the Group's effective rate | – | 10,735 | 176,577 | (6,908) | 180,404 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX (continued)

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

According to Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission issued in April 2020, enterprises set up in the western region in the PRC with major businesses falling within the Catalogue of Encouraged Industries in the Western Region are entitled to a reduced corporate income tax ("CIT") rate of 15%.

Juteng (Neijiang) Communication Accessory Co., Ltd., which is a subsidiary of the Company in the Sichuan province, and Tasun (Chongqing) Electronic Technology Co., Ltd. and Compal Electronic Technology (Chongqing) Co., Ltd., which are subsidiaries of the Company in the Chongqing city, were entitled to enjoy the 15% CIT preferential rate as their major businesses fall within the Catalogue of Encouraged Industries in the Western Region.

Macau Complementary Tax is calculated at 12% of the estimated assessable profit for a subsidiary in Macau.

11. DIVIDENDS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Proposed final – Nil (2022: HK5 cents per ordinary share) | – | 60,000 |

The board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss (2022: earnings) per share amounts is based on the loss for the year attributable to equity holders of the Company of HK\$230,815,000 (2022: profit of HK\$172,149,000) and the weighted average number of 845,662,671 (2022: 845,662,671) ordinary shares in issue excluding shares held under the share award plan during the year.

For the years ended 31 December 2023 and 2022, no adjustment have been made to the basic earnings/(loss) per share amounts presented in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Machinery HK\$'000 | Furniture, fixtures and office equipment HK\$'000 | Motor vehicles HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|---------------------------------------|-----------------------|---|-------------------------------|---|-------------------|
| 31 December 2023 | | | | | | | |
| At 1 January 2023: | | | | | | | |
| Cost | 4,757,061 | 9,214 | 9,402,296 | 1,487,771 | 13,311 | 323,076 | 15,992,729 |
| Accumulated depreciation and impairment | (1,905,588) | (4,201) | (6,019,949) | (1,465,915) | (9,273) | - | (9,404,926) |
| Net carrying amount | 2,851,473 | 5,013 | 3,382,347 | 21,856 | 4,038 | 323,076 | 6,587,803 |
| At 1 January 2023, net of accumulated depreciation and impairment | 2,851,473 | 5,013 | 3,382,347 | 21,856 | 4,038 | 323,076 | 6,587,803 |
| Additions | 11,610 | - | 37,503 | 19,534 | 3,340 | 138,697 | 210,684 |
| Transfers | 20,600 | - | 161,464 | 64,575 | 1,644 | (248,283) | - |
| Disposals/write-off | - | - | (2,991) | (5,699) | (350) | (8,822) | (17,862) |
| Transfer to non-current assets held for sale (note 23) | (76,015) | - | - | - | - | - | (76,015) |
| Impairment (note 7) | - | - | (44,644) | (250) | (106) | - | (45,000) |
| Depreciation provided during the year (note 7) | (206,084) | (770) | (529,791) | (74,371) | (1,309) | - | (812,325) |
| Exchange realignment | (67,859) | 68 | (83,270) | (9,485) | (129) | (7,008) | (167,683) |
| At 31 December 2023, net of accumulated depreciation and impairment | 2,533,725 | 4,311 | 2,920,618 | 16,160 | 7,128 | 197,660 | 5,679,602 |
| At 31 December 2023: | | | | | | | |
| Cost | 4,375,252 | 9,351 | 8,980,455 | 1,478,386 | 15,562 | 197,660 | 15,056,666 |
| Accumulated depreciation and impairment | (1,841,527) | (5,040) | (6,059,837) | (1,462,226) | (8,434) | - | (9,377,064) |
| Net carrying amount | 2,533,725 | 4,311 | 2,920,618 | 16,160 | 7,128 | 197,660 | 5,679,602 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Machinery HK\$'000 | Furniture, fixtures and office equipment HK\$'000 | Motor vehicles HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 |
|--|-----------------------------------|---------------------------------------|-----------------------|---|-------------------------------|---|-------------------|
| 31 December 2022 | | | | | | | |
| At 1 January 2022: | | | | | | | |
| Cost | 4,981,612 | 9,957 | 10,129,750 | 1,715,443 | 14,083 | 806,501 | 17,657,346 |
| Accumulated depreciation and impairment | (2,152,384) | (3,686) | (5,849,136) | (1,472,923) | (9,355) | - | (9,487,484) |
| Net carrying amount | 2,829,228 | 6,271 | 4,280,614 | 242,520 | 4,728 | 806,501 | 8,169,862 |
| At 1 January 2022, net of accumulated depreciation and impairment | | | | | | | |
| | 2,829,228 | 6,271 | 4,280,614 | 242,520 | 4,728 | 806,501 | 8,169,862 |
| Additions | 4,486 | 21 | 58,228 | 23,370 | 770 | 483,176 | 570,051 |
| Transfers | 586,258 | - | 241,148 | 36,250 | 351 | (864,007) | - |
| Disposals/write-off | (114,188) | - | (27,561) | (15,663) | (94) | (52,168) | (209,674) |
| Transfer to non-current assets held for sale (note 23) | - | - | (26,202) | (8) | - | - | (26,210) |
| Impairment (note 7) | - | - | (283,561) | (1,555) | (285) | - | (285,401) |
| Depreciation provided during the year (note 7) | (221,841) | (787) | (565,349) | (212,265) | (1,051) | - | (1,001,293) |
| Exchange realignment | (232,470) | (492) | (294,970) | (50,793) | (381) | (50,426) | (629,532) |
| At 31 December 2022, net of accumulated depreciation and impairment | 2,851,473 | 5,013 | 3,382,347 | 21,856 | 4,038 | 323,076 | 6,587,803 |
| At 31 December 2022: | | | | | | | |
| Cost | 4,757,061 | 9,214 | 9,402,296 | 1,487,771 | 13,311 | 323,076 | 15,992,729 |
| Accumulated depreciation and impairment | (1,905,588) | (4,201) | (6,019,949) | (1,465,915) | (9,273) | - | (9,404,926) |
| Net carrying amount | 2,851,473 | 5,013 | 3,382,347 | 21,856 | 4,038 | 323,076 | 6,587,803 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

As at 31 December 2023, certain of the Group's land and buildings with a net carrying amount of approximately HK\$20,413,000 (2022: HK\$20,223,000) situated in the ROC were pledged to secure general banking facilities granted to the Group (note 27).

As at 31 December 2023, the application of property ownership certificates for certain buildings with a net book value of HK\$37,948,000 (2022: HK\$41,280,000) was still in progress. In the opinion of the directors, the risk of the Group for not being able to obtain the legal titles for the relevant buildings is low and the Group will continue to pursue and discuss with the Ministry of Land and Resources of the PRC for the final settlement and complete the ownership registration of the buildings.

In view of the downturn in operating results of the manufacture and sale of casings for notebook computer and handheld devices cash-generating unit (the "CGU") for the years ended 31 December 2023 and 31 December 2022, management performed an impairment assessment on the recoverable amount of the CGU at 31 December. The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on a five-year financial forecast approved by management. The pre-tax discount rate applied to the cash flow projections is 14% (2022: 13%). Based on management's assessment, impairment losses of HK\$45,000,000 (2022: HK\$240,512,000) were recognised to write down the carrying amounts of the property, plant and equipment and right-of-use assets to their aggregate recoverable amounts of HK\$6,486,849,000 (2022: HK\$7,475,224,000) as at 31 December 2023. For the year ended 31 December 2022, the goodwill of HK\$52,488,000 allocated to the CGU was fully impaired as at 31 December 2022 (note 15).

On 22 November 2023, the Group entered into three agreements with Wujiang Economic and Technological Development Zone Management Committee (吳江經濟技術開發區管理委員會) and Huaying Shixun (Wujiang) Co., Ltd. (華映視訊(吳江)有限公司) (the "Agreements") for disposal of certain land and property in relation to land resumption demanded by the local government authority in Suzhou (the "Disposal for Land Resumption"). The recoverable amounts of these leasehold lands and buildings of the Group have been determined at the lower of their fair value less cost of disposal based on the aggregate amount of considerations in the Agreements and their carrying values. These leasehold lands and buildings of the Group in Suzhou with carrying values of HK\$15,445,000 (note 14) and HK\$76,015,000, respectively, were transferred from right-of-use assets and property, plant and equipment to non-current assets held for sale. The Disposal for Land Resumption constitutes a major transaction of the Company. Further details of the Disposal for Land Resumption were disclosed in the circular of the Company dated 30 January 2024. Subsequent to the end of the reporting period, the Disposal for Land Resumption was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 13 March 2024.

During the year ended 31 December 2022, after the Relocation (note 5), certain items of machinery and furniture and fixtures of the Group's factories in Suzhou with an aggregate carrying value of HK\$71,099,000 were identified by management and included in a plan to sell. These assets were used in the manufacture and sale of casings for notebook computer and handheld devices. The recoverable amounts of these assets have been determined on their fair value less cost of disposal based on purchase prices offered by independent third parties, and an impairment loss of HK\$44,889,000 was recognised as "Other expenses" in profit or loss for the year ended 31 December 2022. The net carrying values of these assets of HK\$26,210,000 were transferred from property, plant and equipment to non-current assets held for sale as at 31 December 2022.

14. LEASES

The Group as a lessee

The Group has lease contracts for certain of its properties, machinery, motor vehicles and office equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years. Leases of properties generally have lease terms between 2 months and 60 months (2022: between 3 months and 60 months), while motor vehicles generally have lease terms of 3 years. Machinery and office equipment generally have lease terms of 12 months or less and/or are individually of low value, and therefore these lease payments are recognised as expenses on a straight-line basis over the lease term.

(a) Right-of-use assets

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

| | Leasehold land HK\$'000 | Properties HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|-------------------------------|------------------------|-------------------------------|-------------------|
| As at 1 January 2022 | 683,913 | 1,639 | 273 | 685,825 |
| Additions | 278,396 | 22,011 | – | 300,407 |
| Disposals | (16,914) | – | – | (16,914) |
| Depreciation charge (note 7) | (18,137) | (5,565) | (101) | (23,803) |
| Exchange realignment | (58,038) | (36) | (20) | (58,094) |
| As at 31 December 2022 and 1 January 2023 | 869,220 | 18,049 | 152 | 887,421 |
| Additions | 8,785 | – | – | 8,785 |
| Transfer to non-current assets held for sale (note 23) | (15,445) | – | – | (15,445) |
| Early termination | – | (12,611) | – | (12,611) |
| Lease modification | (20,875) | – | – | (20,875) |
| Depreciation charge (note 7) | (19,622) | (2,107) | (96) | (21,825) |
| Exchange realignment | (17,924) | (280) | 1 | (18,203) |
| As at 31 December 2023 | 804,139 | 3,051 | 57 | 807,247 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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 |
|--|------------------|------------------|
| At 1 January | 266,277 | 1,997 |
| New leases | 8,008 | 300,407 |
| Accretion of interest recognised during the year | 433 | 1,020 |
| Early termination | (13,127) | – |
| Lease modification | (28,250) | – |
| Payments | (88,656) | (33,277) |
| Exchange realignment | (2,320) | (3,870) |
| At 31 December | 142,365 | 266,277 |
| Analysed into: | | |
| Current portion | 133,100 | 244,513 |
| Non-current portion | 9,265 | 21,764 |

Analysed into:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Lease liabilities repayable: | | |
| Within one year | 133,100 | 244,513 |
| In the second year | 1,206 | 5,223 |
| In the third to fifth years, inclusive | 277 | 8,574 |
| Beyond five years | 7,782 | 7,967 |
| Total | 142,365 | 266,277 |

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. LEASES (continued)

The Group as a lessee (continued)

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Interest on lease liabilities | 433 | 1,020 |
| Depreciation charge of right-of-use assets | 21,825 | 23,803 |
| Expense relating to short-term leases (included in administrative expenses) | 1,970 | 3,105 |
| Expense relating to leases of low-value assets (included in administrative expenses) | 50 | 38 |
| Gain on modification of a lease | (7,375) | – |
| Gain on early termination of a lease | (516) | – |
| Total amount recognised in profit or loss | 16,387 | 27,966 |

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

The Group as a lessor

The Group leases part of its factory and machinery under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$22,803,000 (2022: HK\$26,147,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Within one year | 22,526 | 22,751 |
| After one year but within two years | 18,007 | 21,670 |
| After two years but within three years | 18,524 | 19,242 |
| After three years but within four years | 18,497 | 19,773 |
| After four years but within five years | 18,824 | 19,745 |
| After five years | 51,940 | 73,119 |
| Total | 148,318 | 176,300 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. GOODWILL

| | HK\$'000 |
|--|----------|
| Cost and net carrying amount at 1 January 2022 | 52,488 |
| Impairment during the year (note 7) | (52,488) |
| <hr/> | |
| Net carrying amount at 31 December 2022 | – |
| <hr/> | |
| At 31 December 2022: | |
| Cost | 52,488 |
| Accumulated impairment | (52,488) |
| <hr/> | |
| Net carrying amount | – |
| <hr/> | |

Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to the manufacture and sale of casings for notebook computer and handheld devices cash-generating unit for impairment testing.

As at 31 December 2022, the recoverable amount of the manufacture and sale of casings for notebook computer and handheld devices cash-generating unit had been determined based on a value in use calculation using cash flow projections based on a five-year financial forecast approved by management. The pre-tax discount rate applied to the cash flow projections was 13% and cash flows beyond the five-year period were extrapolated using a growth rate of 2%.

Assumptions were used in the value in use calculation of the manufacture and sale of casings for notebook computer and handheld devices cash-generating unit as at 31 December 2022. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Forecasted gross margins – The basis used to determine the value assigned to the forecasted gross margins was the average gross margins achieved in the year immediately before the forecast year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used was before tax and reflect specific risks relating to the relevant unit.

Based on management's assessment, an impairment loss of HK\$52,488,000 was recognised to profit or loss during the year ended 31 December 2022 to fully impair the goodwill as at 31 December 2022.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. DEFERRED TAX

Deferred tax assets

| | Losses available for offsetting against future taxable profits HK\$'000 | Government subsidies HK\$'000 | Lease liabilities HK\$'000 | Impairment of property, plant and equipment HK\$'000 | Total HK\$'000 |
|--|---|-------------------------------------|----------------------------------|--|-------------------|
| Gross deferred tax assets at 1 January 2022 | 61,525 | 8,281 | – | – | 69,806 |
| Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10) | (58,567) | (148) | 3,413 | 3,606 | (51,696) |
| Exchange realignment | (2,958) | (724) | (106) | (112) | (3,900) |
| Gross deferred tax assets at 31 December 2022 and 1 January 2023 | – | 7,409 | 3,307 | 3,494 | 14,210 |
| Deferred tax charged to the statement of profit or loss during the year (note 10) | – | (141) | (3,240) | (3,423) | (6,804) |
| Exchange realignment | – | (166) | (67) | (71) | (304) |
| Gross deferred tax assets at 31 December 2023 | – | 7,102 | – | – | 7,102 |

The Group had tax losses arising in Chinese Mainland of approximately HK\$1,191,178,000 as at 31 December 2023 (2022: HK\$866,050,000) that will expire in one to five years for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. DEFERRED TAX (continued)

Deferred tax liabilities

| | Fair value adjustments arising from acquisition of subsidiaries HK\$'000 | Fair value adjustments designated at fair value through other comprehensive income HK\$'000 | Withholding tax HK\$'000 | Right-of-use assets HK\$'000 | Total HK\$'000 |
|--|---|--|-----------------------------|---------------------------------|-------------------|
| Gross deferred tax liabilities at 1 January 2022 | 450 | – | 60,000 | – | 60,450 |
| Deferred tax charged to the statement of profit or loss during the year (note 10) | – | – | 9,790 | 3,470 | 13,260 |
| Exchange realignment | – | – | – | (138) | (138) |
| Gross deferred tax liabilities at 31 December 2022 and 1 January 2023 | 450 | – | 69,790 | 3,332 | 73,572 |
| Deferred tax credited to the statement of profit or loss during the year (note 10) | – | – | – | (3,293) | (3,293) |
| Deferred tax charged to equity during the year (note 10) | – | 1,437 | – | – | 1,437 |
| Exchange realignment | (29) | – | – | (39) | (68) |
| Gross deferred tax liabilities at 31 December 2023 | 421 | 1,437 | 69,790 | – | 71,648 |

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately HK\$2,073,966,000 (2022: HK\$3,272,208,000) as at 31 December 2023. In the opinion of the directors, the Company is able to control the timing of the reversal of the temporary difference and, accordingly, the Group has taken into consideration, among others, the probability the temporary difference being reversed in the foreseeable future, and recognised for withholding taxes that would be payable in the foreseeable future on distribution of unremitted earnings by the Company's subsidiaries established in Chinese Mainland in respect of earnings generated.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

17. INVESTMENT IN AN ASSOCIATE

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---------------------|------------------|------------------|
| Share of net assets | – | 12,654 |

Particulars of the associate are as follows:

| Company name | Particulars of issued shares held | Place of incorporation and business | Percentage of ownership interest attributable to the Group | Principal activity |
|---|-----------------------------------|-------------------------------------|--|--------------------|
| Leading Profit Holding Limited ("Leading Profit") | Ordinary shares | Seychelles/ The ROC | 0% (2022: 49%) | Investment holding |

The Group's shareholding in an associate comprises equity shares held through a non wholly-owned subsidiary of the Company.

The following table illustrates the financial information of the Group's associate that is not individually material:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Share of the associate's loss for the year | (47) | (7) |
| Aggregate carrying amount of the Group's investment in the associate | – | 12,654 |

During the year, the amount of capital injection to Leading Profit was refunded to the Group upon its deregistration, resulting in a gain of HK\$632,000.

18. INVENTORIES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------|------------------|------------------|
| Production materials | 128,281 | 224,847 |
| Work in progress | 541,370 | 677,584 |
| Finished goods | 739,003 | 1,081,499 |
| Moulds and consumable tools | 129,971 | 209,765 |
| | 1,538,625 | 2,193,695 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. TRADE RECEIVABLES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-------------------|------------------|------------------|
| Trade receivables | 2,490,039 | 2,426,112 |
| Impairment | (3,592) | (5,166) |
| | 2,486,447 | 2,420,946 |

The general credit terms of the Group range from 60 days to 120 days. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances.

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------|------------------|------------------|
| Within 3 months | 1,440,992 | 1,295,835 |
| 4 to 6 months | 1,019,371 | 1,064,992 |
| 7 to 12 months | 26,084 | 60,119 |
| | 2,486,447 | 2,420,946 |

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| At beginning of year | 5,166 | 3,481 |
| Impairment/(reversal of impairment) (note 7) | (1,574) | 1,685 |
| At end of year | 3,592 | 5,166 |

As at 31 December 2023, the decrease in loss allowance was due to the decrease in trade receivables which were past due for 4 to 6 months and 7 to 12 months.

As at 31 December 2022, the increase in loss allowance was due to the increase in trade receivables which were past due for 7 to 12 months.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. TRADE RECEIVABLES *(continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. 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.

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

As at 31 December 2023

| | Current | Past due | | | Total |
|-------------------------------------|-----------|---------------|---------------|----------------|-----------|
| | | 1 to 3 months | 4 to 6 months | 7 to 12 months | |
| Expected credit loss rate | 0.04% | 0.01% | 5.33% | 35.73% | 0.14% |
| Gross carrying amount (HK\$'000) | 2,169,308 | 304,038 | 10,760 | 5,933 | 2,490,039 |
| ECLs (HK\$'000) | 868 | 30 | 574 | 2,120 | 3,592 |

As at 31 December 2022

| | Current | Past due | | | Total |
|-------------------------------------|-----------|---------------|---------------|----------------|-----------|
| | | 1 to 3 months | 4 to 6 months | 7 to 12 months | |
| Expected credit loss rate | 0.05% | 0.02% | 6.23% | 44.92% | 0.21% |
| Gross carrying amount (HK\$'000) | 1,832,492 | 565,770 | 21,642 | 6,208 | 2,426,112 |
| ECLs (HK\$'000) | 916 | 113 | 1,348 | 2,789 | 5,166 |

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------|------------------|------------------|
| Prepayments | 50,282 | 59,345 |
| Deposits and other receivables | 127,811 | 134,345 |
| | 178,093 | 193,690 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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 ECLs 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 31 December 2022, the ECLs were assessed to be minimal.

21. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Equity investment designated at fair value through other comprehensive income | | |
| Overseas listed equity investment, at fair value | | |
| Paragon Technologies Co., Ltd. | 25,236 | 13,489 |

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

During the year ended 31 December 2023, the gross profit in respect of the Group's equity investment designated at fair value through other comprehensive income recognised in other comprehensive income amounted to HK\$11,824,000 (2022: Loss of HK\$5,429,000).

During the year ended 31 December 2023, the Group received a dividend in the amounts of HK\$334,000 (2022: HK\$705,000) from Paragon Technologies Co., Ltd.

In the opinion of the directors, the equity investment designated at fair value through other comprehensive income is not expected to be realised within 12 months after the end of the reporting period. Accordingly, the investment is classified as a non-current asset in the consolidated statement of financial position.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK\$22,362,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

22. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED BANK BALANCES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Cash and bank balances, including time deposits with original maturity less than 3 months | 1,333,728 | 1,809,456 |
| Less: Pledged and restricted bank balances | (111,876) | (102,659) |
| Cash and cash equivalents | 1,221,852 | 1,706,797 |

Renminbi (“RMB”) is not a freely convertible currency in Chinese Mainland and the remittance of funds out of Chinese Mainland is subject to the exchange restriction imposed by the PRC government. Companies incorporated in the ROC are subject to certain controls in the remittance of funds out of the ROC up to a certain limit for each calendar year. Vietnamese Dong is not a freely convertible currency in Vietnam under the Law on Foreign Investment in Vietnam. At the end of the reporting period, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in Chinese Mainland, the ROC or Vietnam amounted to approximately HK\$495,596,000 (2022: HK\$402,897,000).

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

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to the Disposal for Land Resumption (note 13), certain leasehold lands and buildings with carrying values of HK\$15,445,000 and HK\$76,015,000, respectively, were transferred from right-of-use assets (note 14) and property, plant and equipment (note 13) to non-current assets held for sale during the year ended 31 December 2023. As at 31 December 2023, in the opinion of the directors, the Disposal for Land Resumption was expected to be completed within 12 months after the end of the reporting period. Subsequent to the end of the reporting period, the Disposal for Land Resumption was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 13 March 2024.

As at 31 December 2022, certain items of machinery and furniture and fixtures at an aggregate carrying value of HK\$26,210,000 were transferred from property, plant and equipment (note 13) to non-current assets held for sale. As at 31 December 2022, negotiations for the sale of these assets were in progress and in the opinion of the directors, the sale was highly probable to be completed within 12 months from the end of that reporting period. During the year ended 31 December 2023, these items of machinery and furniture and fixtures have been disposed of and resulted in a loss on disposal of HK\$964,000 (note 7).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled on terms of 60 to 120 days.

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date and issuance date, respectively, is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------|------------------|------------------|
| Within 3 months | 567,760 | 532,780 |
| 4 to 6 months | 292,661 | 254,025 |
| 7 to 12 months | 18,814 | 29,030 |
| Over 1 year | 11,562 | 6,768 |
| | 890,797 | 822,603 |

25. OTHER PAYABLES AND ACCRUALS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Deferred income (note 28) | 807 | 858 |
| Contract liabilities [#] | 31,646 | 53,851 |
| Other payables ^{##} | 543,832 | 756,212 |
| Accruals | 500,902 | 634,596 |
| | 1,077,187 | 1,445,517 |

Contract liabilities represent receipts in advance from customers for the sale of goods.

The contract liabilities as at 1 January 2022 amounted to HK\$32,483,000. The decrease (2022: increase) in contract liabilities in 2023 was mainly due to a decrease (2022: increase) in advances received from customers in relation to the sale of goods at the end of the year.

Other payables are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2023 | | 2022 | |
|----------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | Assets HK\$'000 | Liabilities HK\$'000 | Assets HK\$'000 | Liabilities HK\$'000 |
| Forward currency contracts | – | – | – | 1,676 |

The Group has entered into various forward currency contracts to reduce its exposure to foreign currency exchange rate fluctuations. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives, net, amounting to HK\$15,855,000 (2022: HK\$45,885,000) were debited to the statement of profit or loss during the year ended 31 December 2023.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 2023 | | | 2022 | | |
|--------------------------------------|-----------------------------|-----------|------------------|-----------------------------|-----------|------------------|
| | Effective interest rate (%) | Maturity | HK\$'000 | Effective interest rate (%) | Maturity | HK\$'000 |
| Current | | | | | | |
| Syndicated bank loans | 6.83 | 2024 | 412,421 | 6.10 | 2023 | 274,842 |
| Other bank loans and other borrowing | 1.93-8.42 | 2024 | 2,126,718 | 0.56-7.51 | 2023 | 2,773,902 |
| | | | 2,539,139 | | | 3,048,744 |
| Non-current | | | | | | |
| Syndicated bank loans | 6.83 | 2025 | 549,894 | 6.10 | 2024-2025 | 961,947 |
| Other bank loans and other borrowing | 1.93-2.80 | 2025-2027 | 47,581 | 1.32-1.68 | 2024-2027 | 32,437 |
| | | | 597,475 | | | 994,384 |
| | | | 3,136,614 | | | 4,043,128 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Repayable: | | |
| Within one year | 2,539,139 | 3,048,744 |
| In the second year | 589,793 | 441,052 |
| In the third to fifth years, inclusive | 7,682 | 553,332 |
| | 3,136,614 | 4,043,128 |

Notes:

- (a) Certain of the Group's bank loans were secured by:
- (i) the pledge of certain of the Group's land and buildings situated in the ROC, which had a net carrying value at the end of the reporting period of HK\$20,413,000 (2022: HK\$20,223,000); and
 - (ii) corporate guarantees executed by the Company to the extent of HK\$2,301,927,000 (2022: HK\$2,931,266,000) as at the end of the reporting period.
- (b) The Group's bank and other borrowings with carrying amounts of HK\$2,734,917,000 (2022: HK\$3,728,254,000), HK\$19,590,000 (2022: HK\$20,744,000) and HK\$382,107,000 (2022: HK\$294,130,000) are denominated in United States dollars ("US\$"), New Taiwan dollars ("NT\$") and RMB, respectively.

28. DEFERRED INCOME

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------|------------------|------------------|
| Deferred income related to the government subsidies for acquisition of assets | (i) | 41,729 | 43,483 |
| Current portion (note 25) | | (807) | (858) |
| Non-current portion | | 40,922 | 42,625 |

Note:

- (i) Deferred income represented government subsidies relating to acquisition of assets received by certain of the Group's subsidiaries in Chinese Mainland.

29. SHARE CAPITAL

Shares

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Authorised: 2,000,000,000 shares of HK\$0.1 each | 200,000 | 200,000 |
| Issued and fully paid: 1,200,008,445 (2022: 1,200,008,445) shares of HK\$0.1 each | 120,001 | 120,001 |

30. EQUITY COMPENSATION PLANS

(a) Share option scheme

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group and participants who have contributed or may contribute to the development and growth of the Group.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the daily quotation sheet on the Hong Kong Stock Exchange on the date of the offer of the share options; and (ii) the average of the closing prices of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, no share options were granted or cancelled by the Company under the Scheme and no share options were expired.

The following share options were outstanding under the Scheme during the year:

| | 2023 | | 2022 | |
|----------------|--|----------------------|--|----------------------|
| | Weighted average exercise price HK\$ per share | Number of options | Weighted average exercise price HK\$ per share | Number of options |
| At 1 January | 1.48 | 31,976,000 | 1.48 | 33,512,000 |
| Forfeited | 1.48 | (3,638,000) | 1.48 | (1,536,000) |
| At 31 December | 1.48 | 28,338,000 | 1.48 | 31,976,000 |

30. EQUITY COMPENSATION PLANS *(continued)*

(a) Share option scheme *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023

| Number of options | Exercise price* HK\$ per share | Exercise period |
|-------------------|-----------------------------------|------------------------|
| 164,400 | 1.48 | 7-11-2018 to 31-8-2024 |
| 514,400 | 1.48 | 7-11-2019 to 31-8-2024 |
| 515,600 | 1.48 | 7-11-2020 to 31-8-2024 |
| 13,572,800 | 1.48 | 7-11-2021 to 31-8-2024 |
| 13,570,800 | 1.48 | 7-11-2022 to 31-8-2024 |
| 28,338,000 | | |

2022

| Number of options | Exercise price* HK\$ per share | Exercise period |
|-------------------|-----------------------------------|------------------------|
| 184,400 | 1.48 | 7-11-2018 to 31-8-2024 |
| 534,400 | 1.48 | 7-11-2019 to 31-8-2024 |
| 538,400 | 1.48 | 7-11-2020 to 31-8-2024 |
| 15,360,400 | 1.48 | 7-11-2021 to 31-8-2024 |
| 15,358,400 | 1.48 | 7-11-2022 to 31-8-2024 |
| 31,976,000 | | |

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

During the year ended 31 December 2023, share option expenses of HK\$6,109,000 previously recognised in employee share-based compensation reserve were transferred to retained profits upon the forfeiture of share options.

The Group recognised a share option expense of HK\$2,276,000 during the year ended 31 December 2022 in respect of share options granted/replaced in the prior years.

At the end of the reporting period, the Company had 28,338,000 share options outstanding under the Scheme, representing approximately 2.4% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 28,338,000 additional ordinary shares of the Company and additional share capital of HK\$2,834,000 and share premium of HK\$39,106,000 (before issue expenses).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. EQUITY COMPENSATION PLANS *(continued)*

(b) Share award plan

The board of directors approved the adoption of the new share award plan (the "Share Award Plan") with effect from 19 May 2017. The purpose of the Share Award Plan is to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of shares and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. The vesting period of the awarded shares is determined by the board of directors.

As at 31 December 2023, a total of 354,345,774 (2022: 354,345,774) shares were held by the Bank of Communications Trustee Limited, the trustee under the Share Award Plan.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the prior and current years are presented in the consolidated statement of changes in equity on pages 55 and 56 of the financial statements.

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Company's subsidiaries that have material non-controlling interests are set out below:

| | 2023 | 2022 |
|--|---------------|--------|
| Percentage of equity interest held by non-controlling interests: | | |
| Wah Yuen and its subsidiaries ("Wah Yuen Group") | 40.72% | 40.72% |
| Mindforce and its subsidiaries ("Mindforce Group") | 29% | 29% |

| | 2023 | 2022 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Loss for the year allocated to non-controlling interests: | | |
| Wah Yuen Group | (80,379) | (29,297) |
| Mindforce Group | (20,675) | (44,958) |
| Accumulated balances of non-controlling interests at the reporting date: | | |
| Wah Yuen Group | 1,161,189 | 1,289,833 |
| Mindforce Group | 35,213 | 61,775 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(continued)

The following tables illustrate the summarised financial information of the above partly-owned subsidiaries. The amounts disclosed are before any inter-company eliminations:

| | Wah Yuen Group HK\$'000 | Mindforce Group HK\$'000 |
|--|-------------------------------|--------------------------------|
| 2023 | | |
| Revenue | 2,352,848 | 567,448 |
| Total expenses | (2,550,243) | (638,742) |
| Loss for the year | (197,395) | (71,294) |
| Total comprehensive expenses for the year | (684,234) | (125,559) |
| Current assets | 2,392,350 | 353,713 |
| Non-current assets | 2,197,370 | 557,928 |
| Current liabilities | (1,701,532) | (633,784) |
| Non-current liabilities | (46,756) | (156,355) |
| Net cash flows from operating activities | 421,961 | 141,291 |
| Net cash flows used in investing activities | (368,219) | (12,518) |
| Net cash flows used in financing activities | (34,135) | (156,747) |
| Net increase/(decrease) in cash and cash equivalents | 19,607 | (27,974) |
| 2022 | | |
| Revenue | 2,785,604 | 827,851 |
| Total expenses | (2,857,552) | (982,879) |
| Loss for the year | (71,948) | (155,028) |
| Total comprehensive expenses for the year | (490,056) | (202,932) |
| Current assets | 2,949,123 | 514,759 |
| Non-current assets | 2,530,650 | 654,880 |
| Current liabilities | (2,290,913) | (799,668) |
| Non-current liabilities | (31,505) | (156,424) |
| Net cash flows from operating activities | 600,215 | 19,263 |
| Net cash flows from/(used in) investing activities | 4,280 | (10,928) |
| Net cash flows from/(used in) financing activities | (362,597) | 43,150 |
| Net increase in cash and cash equivalents | 241,898 | 51,485 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$8,785,000 (2022: HK\$300,407,000) and HK\$8,008,000 (2022: HK\$300,407,000), respectively, in respect of lease arrangements for its leasehold land (2022: leasehold land and properties). For the non-cash additions to right-of-use assets of HK\$8,785,000, HK\$777,000 (2022: Nil) of which was transferred from prepayment during the year.
- (ii) During the year, the proceeds from disposal of non-current assets classified as held for sale of HK\$4,309,000 were not yet received and included in prepayments, deposits and other receivables as at 31 December 2023.
- (iii) During the year ended 31 December 2022, the Group recognised compensation income received in prior years of HK\$726,350,000, which was included in other payables and accruals as at 31 December 2021, as subsidy income of HK\$69,429,000 for relocation and compensation income of HK\$656,921,000 for surrendering of certain items of property, plant and equipment and right-of-use assets upon completion of the Relocation (note 5).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

(b) Changes in liabilities arising from financing activities

2023

| | Lease liabilities HK\$'000 | Interest-bearing bank and other borrowings HK\$'000 |
|--|-------------------------------|--|
| At 1 January 2023 | 266,277 | 4,043,128 |
| Changes from financing cash flows | (88,223) | (831,207) |
| New leases | 8,008 | – |
| Early termination | (13,127) | – |
| Lease modification | (28,250) | – |
| Accretion of interest recognised during the year | 433 | – |
| Interest paid classified as operating cash flows | (433) | – |
| Foreign exchange movement | (2,320) | (75,307) |
| At 31 December 2023 | 142,365 | 3,136,614 |

2022

| | Lease liabilities HK\$'000 | Interest-bearing bank borrowings HK\$'000 |
|--|-------------------------------|--|
| At 1 January 2022 | 1,997 | 4,852,654 |
| Changes from financing cash flows | (32,257) | (736,231) |
| New leases | 300,407 | – |
| Accretion of interest recognised during the year | 1,020 | – |
| Interest paid classified as operating cash flows | (1,020) | – |
| Foreign exchange movement | (3,870) | (73,295) |
| At 31 December 2022 | 266,277 | 4,043,128 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

(c) Total cash outflow for leases

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------|------------------|------------------|
| Within operating activities | 2,453 | 4,163 |
| Within financing activities | 88,223 | 32,257 |
| | 90,676 | 36,420 |

34. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

35. COMMITMENTS

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------|------------------|------------------|
| Buildings | 44,625 | 11,242 |
| Machinery and office equipment | 208,554 | 82,162 |
| Total contractual commitments | 253,179 | 93,404 |

36. RELATED PARTY TRANSACTIONS

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

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|-------------------------|-------|------------------|------------------|
| Lease payments paid to: | | | |
| Ms. Cheng Shao-Wen | (i) | 142 | 146 |
| Mr. Cheng Yung-Kang | (ii) | 59 | 60 |
| 禾涎股份有限公司("禾涎") | (iii) | 301 | 308 |
| Ms. Lin Mei Li | (iv) | 62 | 63 |

36. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

- (i) Ms. Cheng Shao-Wen is the daughter of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties. During the year ended 31 December 2023, the Group only entered into a short-term lease agreement with Ms. Cheng Shao-Wen.
- (ii) Mr. Cheng Yung-Kang is the son of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties. During the year ended 31 December 2023, the Group only entered into a short-term lease agreement with Ms. Cheng Yung Kang.
- (iii) Ms. Cheng Shao-Wen and Mr. Cheng Yung-Kang are the directors of 禾澁. Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu, a director of the Company, Ms. Cheng Shao-Wen and Mr. Cheng Yung-Kang are the shareholders of 禾澁. The rentals were determined at rates mutually agreed between the relevant parties. During the year ended 31 December 2023, the Group only entered into a short-term lease agreement with 禾澁.
- (iv) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company. The rentals were determined at rates mutually agreed between the relevant parties. During the year ended 31 December 2023, the Group only entered into a short-term lease agreement with Ms. Lin Mei-Li.

The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

- (b) Compensation of key management personnel of the Group (excluding directors' remuneration):

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Short term employee benefits | 7,500 | 9,136 |
| Employee share-based compensation expenses | – | 784 |
| Total compensation paid to key management personnel | 7,500 | 9,920 |

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

37. 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:

2023

Financial assets

| | Financial assets at amortised cost HK\$'000 | Equity investment designated at fair value through other comprehensive income HK\$'000 | Total HK\$'000 |
|---|--|---|-------------------|
| Equity investment designated at fair value through other comprehensive income | – | 25,236 | 25,236 |
| Trade receivables | 2,486,447 | – | 2,486,447 |
| Financial assets included in prepayments, deposits and other receivables | 79,848 | – | 79,848 |
| Pledged and restricted bank balances | 111,876 | – | 111,876 |
| Cash and cash equivalents | 1,221,852 | – | 1,221,852 |
| | 3,900,023 | 25,236 | 3,925,259 |

Financial liabilities

| | Financial liability at fair value through profit or loss – held for trading HK\$'000 | Financial liabilities at amortised cost HK\$'000 | Total HK\$'000 |
|---|---|---|-------------------|
| Trade and bills payables | – | 890,797 | 890,797 |
| Financial liabilities included in other payables and accruals | – | 573,940 | 573,940 |
| Interest-bearing bank and other borrowings | – | 3,136,614 | 3,136,614 |
| Lease liabilities | – | 142,365 | 142,365 |
| | – | 4,743,716 | 4,743,716 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

2022

Financial assets

| | Financial assets at amortised cost HK\$'000 | Equity investment designated at fair value through other comprehensive income HK\$'000 | Total HK\$'000 |
|---|---|---|-------------------|
| Equity investment designated at fair value through other comprehensive income | – | 13,489 | 13,489 |
| Trade receivables | 2,420,946 | – | 2,420,946 |
| Financial assets included in prepayments, deposits and other receivables | 91,381 | – | 91,381 |
| Pledged and restricted bank balances | 102,659 | – | 102,659 |
| Cash and cash equivalents | 1,706,797 | – | 1,706,797 |
| | 4,321,783 | 13,489 | 4,335,272 |

Financial liabilities

| | Financial liability at fair value through profit or loss – held for trading HK\$'000 | Financial liabilities at amortised cost HK\$'000 | Total HK\$'000 |
|---|--|--|-------------------|
| Trade and bills payables | – | 822,603 | 822,603 |
| Financial liabilities included in other payables and accruals | – | 790,854 | 790,854 |
| Derivative financial instrument | 1,676 | – | 1,676 |
| Interest-bearing bank borrowings | – | 4,043,128 | 4,043,128 |
| Lease liabilities | – | 266,277 | 266,277 |
| | 1,676 | 5,922,862 | 5,924,538 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|--|------------------|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| Financial assets | | | | |
| Equity investment designated at fair value through other comprehensive income: | | | | |
| Overseas listed equity investment, at fair value | 25,236 | 13,489 | 25,236 | 13,489 |
| Financial liability | | | | |
| Derivative financial instrument | – | 1,676 | – | 1,676 |

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

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer and the audit committee. 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 chief financial officer.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 and 31 December 2022 were assessed to be insignificant.

The fair value of the listed equity investment was based on a quoted market price.

The Group enters into derivative financial instruments with various counterparties, principally with creditworthy banks with no recent history of default. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values. As at 31 December 2022, the mark-to-market value of the derivative position was net of a credit valuation adjustment attributable to derivative counterparty default risk.

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 | |
| Equity investment designated at fair value through other comprehensive income: | | | | |
| Overseas listed equity investment | 25,236 | – | – | 25,236 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

Fair value hierarchy *(continued)*

Assets measured at fair value *(continued)*

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 | |
| Equity investment designated at fair value through other comprehensive income: | | | | |
| Overseas listed equity investment | 13,489 | – | – | 13,489 |

The Group did not have any financial liabilities measured at fair value as at 31 December 2023.

During the year, 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).

Liability measured at fair value

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 | |
| Derivative financial instruments | – | 1,676 | – | 1,676 |

During the year, 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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, pledged and restricted bank balances, and cash and short term deposits. 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 receivables, other receivables, trade and bills payables and other payables and accruals, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations denominated in US\$ with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate of the United States dollar, with all other variables held constant, of the Group's profit/(loss) before tax.

| | Increase/ (decrease) in basis points | Decrease/ (increase) in loss before tax HK\$'000 |
|----------------------|--|--|
| 2023 | | |
| United States dollar | 50 | (13,675) |
| United States dollar | (50) | 13,675 |

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit before tax HK\$'000 |
|----------------------|--|--|
| 2022 | | |
| United States dollar | 50 | (18,641) |
| United States dollar | (50) | 18,641 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

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

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables, trade and bills payables, certain cash and cash equivalents, and interest-bearing bank and other borrowings in currencies other than the functional currencies of the Group's operating subsidiaries. The Group uses derivative financial instruments to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting.

Since most of the Group's revenue is denominated in US\$ and most of the Group's expenses are denominated in RMB, the appreciation of RMB has negative effects on the Group's profitability.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax (arising from Renminbi denominated financial instruments).

| | Increase/ (decrease) in exchange rate % | Decrease/ (increase) in loss before tax HK\$'000 |
|---------------------------------|--|--|
| 2023 | | |
| If US\$ strengthens against RMB | 7.85 | 192,378 |
| If US\$ weakens against RMB | (7.85) | (192,378) |
| | | |
| | Increase/ (decrease) in exchange rate % | Increase/ (decrease) in profit before tax HK\$'000 |
| 2022 | | |
| If US\$ strengthens against RMB | 13.48 | 334,779 |
| If US\$ weakens against RMB | (13.48) | (334,779) |

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The carrying amount of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers.

The Group has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 82% (2022: 82%) of the Group's trade receivables at the end of the reporting period. The loss allowance for impairment of trade receivables was based upon a review of the expected collectability of all trade receivables.

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 Simplified | Total |
|---|---------------------|--------------------------------|-----------|
| | Stage 1 HK\$'000 | approach HK\$'000 | HK\$'000 |
| Trade receivables* | – | 2,490,039 | 2,490,039 |
| Financial assets included in prepayments, deposits and other receivables | | | |
| – Normal** | 79,848 | – | 79,848 |
| Pledged and restricted bank balances | | | |
| – Not yet past due | 111,876 | – | 111,876 |
| Cash and cash equivalents | | | |
| – Not yet past due | 1,221,852 | – | 1,221,852 |
| | 1,413,576 | 2,490,039 | 3,903,615 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2022

| | 12-month ECLs | Lifetime ECLs | Total |
|---|---------------------|------------------------------------|-----------|
| | Stage 1 HK\$'000 | Simplified approach HK\$'000 | HK\$'000 |
| Trade receivables* | – | 2,426,112 | 2,426,112 |
| Financial assets included in prepayments, deposits and other receivables | | | |
| – Normal** | 91,381 | – | 91,381 |
| Pledged and restricted bank balances | | | |
| – Not yet past due | 102,659 | – | 102,659 |
| Cash and cash equivalents | | | |
| – Not yet past due | 1,706,797 | – | 1,706,797 |
| | 1,900,837 | 2,426,112 | 4,326,949 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

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

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e. g., trade receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

| | 2023 | | | Total HK\$'000 |
|--|---|-----------------------------|-----------------------------|-------------------|
| | On demand or within 1 year HK\$'000 | 2 to 5 years HK\$'000 | Over 5 years HK\$'000 | |
| Trade and bills payables | 890,797 | – | – | 890,797 |
| Lease liabilities | 134,839 | 2,382 | 13,288 | 150,509 |
| Financial liabilities included in other payables and accruals | 573,940 | – | – | 573,940 |
| Interest-bearing bank and other borrowings | 2,620,898 | 625,261 | – | 3,246,159 |
| | 4,220,474 | 627,643 | 13,288 | 4,861,405 |

| | 2022 | | | Total HK\$'000 |
|--|---|-----------------------------|-----------------------------|-------------------|
| | On demand or within 1 year HK\$'000 | 2 to 5 years HK\$'000 | Over 5 years HK\$'000 | |
| Trade and bills payables | 822,603 | – | – | 822,603 |
| Lease liabilities | 245,472 | 15,546 | 13,785 | 274,803 |
| Financial liabilities included in other payables and accruals | 790,854 | – | – | 790,854 |
| Interest-bearing bank borrowings | 3,093,878 | 1,014,198 | – | 4,108,076 |
| | 4,952,807 | 1,029,744 | 13,785 | 5,996,336 |

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from an individual equity investment classified as an equity investment designated at fair value through other comprehensive income (note 21) as at 31 December 2023. The Group's listed investment is listed on the Taiwan Stock Exchange (the "TSEC") and valued at the quoted market price at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting periods, and its respective highest and lowest points during the year were as follows:

| | 31 December 2023 | High/low 2023 | 31 December 2022 | High/low 2022 |
|---------------------------|---------------------|----------------------|---------------------|------------------|
| ROC – TSEC Weighted Index | 17,931 | 17,946/14,002 | 14,138 | 18,620/12,629 |

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of the equity investment, with all other variables held constant and before any impact on deferred tax, based on its carrying amount at the end of the reporting period. For the purpose of this analysis, for the equity investment designated at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve.

| | Carrying amount of equity investment HK\$'000 | Increase/ (decrease) in equity price % | Increase/ (decrease) in equity* HK\$'000 |
|--|---|--|---|
| 2023 | | | |
| Investment listed in: | | | |
| ROC – Equity investment at fair value through other comprehensive income | 25,236 | 48.85 | 12,328 |
| | 25,236 | (48.85) | (12,328) |
| 2022 | | | |
| Investment listed in: | | | |
| ROC – Equity investment at fair value through other comprehensive income | 13,489 | 33.33 | 4,496 |
| | 13,489 | (33.33) | (4,496) |

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS

31 December 2023

39. 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 31 December 2022.

The Group monitors capital using a gearing ratio, which is calculated as the total bank and other borrowings divided by the total assets. The gearing ratios as at the end of the reporting periods were as follows:

| | 31 December 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|---------------------------------|---------------------------------|---------------------------------|
| Total bank and other borrowings | 3,136,614 | 4,043,128 |
| Total non-current assets | 6,527,161 | 7,545,933 |
| Total current assets | 5,628,353 | 6,643,997 |
| Total assets | 12,155,514 | 14,189,930 |
| Gearing ratio | 26% | 28% |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| NON-CURRENT ASSETS | | |
| Investments in subsidiaries | 1,080,944 | 1,080,944 |
| CURRENT ASSETS | | |
| Due from subsidiaries | 5,017,005 | 5,017,797 |
| Prepayments, deposits and other receivables | 252 | 288 |
| Restricted bank balances | 87,093 | 68,894 |
| Cash and cash equivalents | 5,763 | 14,053 |
| Total current assets | 5,110,113 | 5,101,032 |
| CURRENT LIABILITIES | | |
| Due to a subsidiary | 1,986,635 | 1,926,635 |
| Other payables and accruals | 5,669 | 5,291 |
| Total current liabilities | 1,992,304 | 1,931,926 |
| NET CURRENT ASSETS | 3,117,809 | 3,169,106 |
| Net assets | 4,198,753 | 4,250,050 |
| EQUITY | | |
| Issued capital | 120,001 | 120,001 |
| Reserves (note) | 4,078,752 | 4,130,049 |
| Total equity | 4,198,753 | 4,250,050 |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

| | Share premium account HK\$'000 | Shares held under share award plan HK\$'000 | Employee share-based compensation reserve HK\$'000 | Other reserves HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--|-----------------------------------|--|---|----------------------------|------------------------------|-------------------|
| At 1 January 2022 | 187,919 | (745,831) | 57,971 | 316,058 | 3,740,190 | 3,556,307 |
| Total comprehensive income for the year | - | - | - | - | 639,119 | 639,119 |
| Dividend received under the share award plan | - | 28,348 | - | - | - | 28,348 |
| Share-based compensation arrangements | - | - | 2,276 | - | - | 2,276 |
| 2021 final dividend | - | - | - | - | (96,001) | (96,001) |
| At 31 December 2022 and 1 January 2023 | 187,919 | (717,483) | 60,247 | 316,058 | 4,283,308 | 4,130,049 |
| Total comprehensive loss for the year | - | - | - | - | (9,014) | (9,014) |
| Dividend received under the share award plan | - | 17,717 | - | - | - | 17,717 |
| Transfer of employee share-based compensation reserve upon the forfeiture of share options | - | - | (6,109) | - | 6,109 | - |
| 2022 final dividend | - | - | - | - | (60,000) | (60,000) |
| As 31 December 2023 | 187,919 | (699,766) | 54,138 | 316,058 | 4,220,403 | 4,078,752 |

The employee share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will be (i) transferred to the share premium account when the related options are exercised; (ii) transferred to retained profits should the related options expire; or (iii) transferred to retained profits should the related options be forfeited.

41. EVENT AFTER THE REPORTING PERIOD

The Disposal for Land Resumption as detailed in note 13 was subsequently approved by shareholders of the Company at the extraordinary general meeting of the Company held on 13 March 2024. The Disposal for Land Resumption is scheduled to be completed in 2024 and is expected to result in a gain on disposal before tax of approximately HK\$548,854,000.

42. APPROVAL OF THE FINANCIAL STATEMENTS

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

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

| | Year ended 31 December | | | | |
|-----------------------------------|------------------------|------------------|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| REVENUE | 6,936,056 | 8,255,947 | 11,282,979 | 10,029,519 | 8,916,007 |
| PROFIT/(LOSS) BEFORE TAX | (166,645) | 238,507 | 200,195 | 285,522 | 328,522 |
| Income tax expense | (162,176) | (180,404) | (142,646) | (128,503) | (116,608) |
| PROFIT/(LOSS) FOR THE YEAR | (328,821) | 58,103 | 57,549 | 157,019 | 211,914 |
| Attributable to: | | | | | |
| Equity holders of the Company | (230,815) | 172,149 | 162,396 | 130,506 | 145,913 |
| Non-controlling interests | (98,006) | (114,046) | (104,847) | 26,513 | 66,001 |
| | (328,821) | 58,103 | 57,549 | 157,019 | 211,914 |

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | | |
|----------------------------------|--------------------|------------------|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| TOTAL ASSETS | 12,155,514 | 14,189,930 | 17,248,679 | 16,456,187 | 14,113,916 |
| TOTAL LIABILITIES | (5,398,722) | (6,746,643) | (8,700,978) | (8,238,404) | (6,665,413) |
| NON-CONTROLLING INTERESTS | (1,291,348) | (1,404,904) | (1,705,568) | (1,746,589) | (1,571,905) |
| | 5,465,444 | 6,038,383 | 6,842,133 | 6,471,194 | 5,876,598 |