COMPUTIME GROUP LIMITED
金寶通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 320)

# ANNUAL REPORT
# 2022 / 2023

Technology | Brand | Manufacturing


## WE ENABLE SMART & SUSTAINABLE LIVING

*For identification purposes only

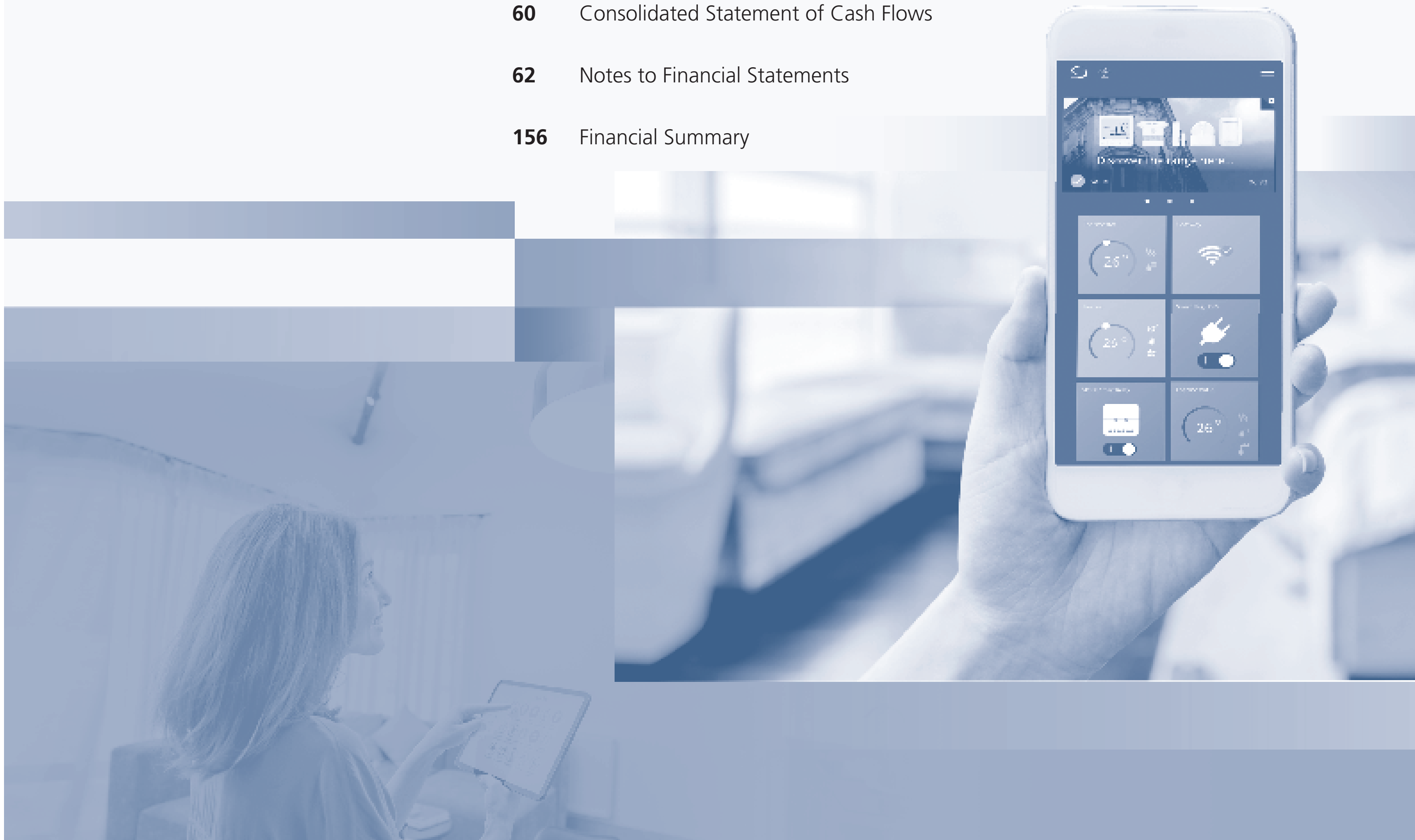
Computime Group Limited (stock code: 0320) is a global technology, brand and manufacturing company headquartered in Hong Kong, with 16 offices and manufacturing sites in strategic locations around the world. For nearly 50 years, Computime has worked with global brands to deliver meaningful design and manufacturing solutions, as well as to develop and to launch innovative products under its own brand name. Offering more than standard manufacturing services, Computime has established a broad portfolio of solutions. Through bespoke IP and sophisticated R&D, Computime helps its partners to accelerate time-to-market, as well as to launch industry-leading connected products under its SALUS Controls and Braeburn brand. Computime has positioned itself at the forefront of technology, and is emerging as a market leader in the design and manufacturing of IoT and home automation products.

# WE ENABLE SMART & SUSTAINABLE LIVING

Technology | Brand | Manufacturing

# CONTENTS





# Corporate Information

## Chairman Emeritus

Mr. AUYANG Ho

## Directors

### Executive Directors

Mr. AUYANG Pak Hong Bernard
*(Chairman and Chief Executive Officer)*
Mr. WONG Wah Shun

### Non-executive Directors

Mr. KAM Chi Chiu, Anthony
Mr. WONG Chun Kong

### Independent Non-executive Directors

Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

## Authorised Representatives under the Listing Rules

Mr. AUYANG Pak Hong Bernard
Mr. WONG Samuel Wan Kay

## Executive Committee

Mr. AUYANG Pak Hong Bernard *(Chairman)*
Mr. WONG Wah Shun

## Audit Committee

Mr. LUK Koon Hoo *(Chairman)*
Mr. Patrick Thomas SIEWERT
Mr. KAM Chi Chiu, Anthony
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

## Registered Office

190 Elgin Avenue,
George Town,
Grand Cayman, KY1-9008,
Cayman Islands

## Head Office and Principal Place of Business

6/F, Building 20E, Phase 3,
Hong Kong Science Park,
20 Science Park East Avenue,
Shatin, New Territories,
Hong Kong
Tel: (852) 2260 0300
Fax: (852) 2790 3996

## Website

www.computime.com

## Principal Share Registrar and Transfer Office

Walkers Corporate Limited
190 Elgin Avenue,
George Town,
Grand Cayman,
KY1-9008,
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

## Nomination Committee

Mr. AUYANG Pak Hong Bernard *(Chairman)*
Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

## Remuneration Committee

Mr. Patrick Thomas SIEWERT *(Chairman)*
Mr. AUYANG Pak Hong Bernard
Mr. LUK Koon Hoo
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

## Company Secretary

Mr. WONG Samuel Wan Kay

## Investor Relations

6/F, Building 20E, Phase 3,
Hong Kong Science Park,
20 Science Park East Avenue,
Shatin, New Territories,
Hong Kong
Tel: (852) 2260 0300
Fax: (852) 2790 3996
Email: ir@computime.com

## Stock Code

320

## Auditor

Ernst & Young
*Certified Public Accountants*
Registered Public Interest Entity Auditor

## Legal Advisors

As to Cayman Islands law:
Walkers (Hong Kong)

As to Hong Kong law:
Stephenson Harwood

As to PRC law:
Guangdong Zhuojian Law Firm

As to United States law:
Burke, Warren, MacKay & Serritella, P.C.

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Citibank (Hong Kong) Limited
United Overseas Bank Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China

# Chairman's Statement

**Dear Stakeholders,**

On behalf of the Board of Directors (the "Board") of Computime Group Limited (the "Company" or "Computime"), we are pleased to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2023 ("FY2023" or the "Year").

During the Year, the global macro business environment faced ongoing challenges due to the ripple effects of the COVID-19 pandemic. The pandemic continued to affect business activities in some regions and logistic capacities were still constrained. The Russo-Ukrainian conflict escalated and exposed businesses to more significant geopolitical risks. Furthermore, soaring energy prices and material supply chain disruptions aggravated the situation. As a result, the acceleration of global inflation led to adverse events that directly affected the Group. Economic policy changes and exchange rate fluctuation in various countries also significantly impacted our operations.

The global economy has started to recover as the world transitions into the post-pandemic era. However, with persistent inflation, tightening monetary policies, and exchange rate fluctuations, the global economic recovery has been slow, posing new business challenges amidst a demanding macro environment.

In the Year, we increased our stock of critical parts to hedge against disruptions in component supply. This has allowed us to respond more swiftly to our customer order requirements and gain market share. However, transportation shortages have led to demand fluctuations and a lower inventory turnover rate. To address this, we are restructuring material management globally by enhancing visibility and encouraging supplier-customer collaboration.

Faced with the many complex challenges above, Computime persevered and maintained stable operations in all business units. Drawing on nearly half a century of operational excellence, we navigated changes, managed risks, and solidified our international customer base with top-notch processes and solutions. We actively broadened our new customer pool by recognizing their changing needs.

During the Year, the full-year results of Braeburn System LLC were consolidated into our overall performance for the first time. The Branded Business segment delivers a favorable performance with revenue growing 31.1% to HK$539.1 million. The business synergies became increasingly evident.

Despite a volatile business environment, Computime strove to maintain revenue and market share, showcasing the Group's resilience in overcoming challenges. As such, our sales orders remained steady throughout the Year, with a 0.5% year-on-year revenue growth to HK$4,204.8 million.

Computime focused on optimizing its existing cost structure throughout the Year as part of our continued efforts to enhance margins. Annual selling and distribution expenses, administrative expenses and other costs were maintained at a healthy level. We implemented many cost-saving initiatives, including the Lean Manufacturing Model and overhead reduction programs. This approach will ensure sustainable growth even in a volatile macro environment and maintain our leading global smart living market position. Our goal is to generate increased value and returns for stakeholders.

In recent years, sustainable development awareness has grown, pushing businesses and consumers to seek eco-friendly and energy-saving solutions. Computime has become a committed leader in promoting smart and sustainable living through innovative technology, brand, and manufacturing solutions.

During the Year, through focused research efforts, we further developed our core expertise in artificial intelligence ("AI"), human-machine interface, wireless connectivity, the Internet of Things ("IoT") and cloud technology. In addition, we incorporated "green DNA" into creating products and services for smart and net-zero homes.

Our latest product portfolio has covered an expanded part of the smart home ecosystem, including electric vehicle ("EV") charging equipment, integrated smart irrigation, robotic lawnmowers, home security services, and AI thermostats. These innovations have strengthened the core competitiveness of our products, providing users with an eco-friendly and energy-saving experience. Moving forward, we aim to develop a commercially viable net-zero home platform. This effort will capitalize on the green trend and support households in achieving their net-zero goals.

While we are dedicated to developing green technology, we also emphasize establishing a green governance model within our Group. Since the beginning of the Year, we have founded the environmental, social, and governance ("ESG") management committee. This committee develops and executes our corporate ESG vision, strategy, and policies, providing a platform that integrates ESG elements into all our operations.

Under the guidance of the ESG management committee, we have implemented a "Green Office" policy in our operations worldwide. The approach encourages employees to save energy, reduce waste, recycle renewable items, and minimize the environmental impact of daily operations. By incorporating sustainability principles into daily office management procedures, we underscore our commitment to ESG principles. After a year of operation, we have effectively utilized various resources and achieved encouraging results.

Enhancing and optimizing manufacturing capacity have been a key focus in our work over the Year. We have strategically diversified our global manufacturing footprint in response to geopolitical challenges. With Hong Kong as our base, we have established a global manufacturing network across Asia, the Americas, and Europe, encompassing six production facilities on three continents.

In addition, we have reviewed our Malaysian factory's talent pool, management structure, systems, and business processes, leading to improved quality and efficiency. This progress garnered recognition from key customers. With the establishment of our Mexican factory and the official launch of our Romanian engineering facility, we have expanded the offering of our engineering and manufacturing solutions.

Simultaneously, we have been proactive in leveraging digital technologies. Throughout the Year, we have continuously implemented our SAP system in stages across various operations. We are confident the integration will be completed in the next fiscal year. This best-in-class enterprise software solution will improve our operational quality and efficiency throughout the company and, as a result, will enable our Group to remain resilient amid the ever-changing market environment.

Next year we will celebrate Computime's 50th anniversary. Throughout these years, we have transformed from a simple manufacturing company specializing in electronic clocks to a global corporation focused on developing technologies, building our brands, and pursuing manufacturing excellence with a vision of facilitating smart and sustainable living. A lasting enterprise requires not only the foresight and wisdom of its founders but also the forward-looking innovation and courage of wave makers. We cherish the solid foundation that was established while recognizing that every step has been built on previous success.

As we look forward, the shadow of the global COVID-19 pandemic is gradually lifting, though fluctuations and uncertainties remain in the short term. Consequently, we approach the future with measured optimism. Nonetheless, this does not imply that our progress will be slowed down or that we become overly cautious. We are committed to consistently increasing our investments in cutting-edge technologies and research and development, boosting product competitiveness, and establishing an even more efficient operational model.

While we will capitalize on our agility and focus on our customers' changing needs, we will also develop solutions that combine eco-friendly and innovative features to set new standards in the market. The smart and sustainable living markets have vast growth potential, and our goal is to become the global industry leader in these market segments.

## Appreciation

On behalf of the Board of Directors, I would like to extend my heartfelt gratitude to all stakeholders who have journeyed with us, including our customers, suppliers, investors, employees and partners. As an enterprise with roots spanning nearly half a century, long-term growth ambition and innovations are embedded in our DNA. The business environment has changed over the years, yet our relentless pursuit of excellence remains unwavering. As we look into the future, we aspire to progress hand-in-hand with all stakeholders, dedicating ourselves to generating more value and sustainable returns for our investors and contributing to our society.

Sincerely,

**AUYANG Pak Hong Bernard**
*Chairman, Chief Executive Officer and Executive Director*
Computime Group Limited

Hong Kong, 29 June 2023

# Management Discussion and Analysis

## Market Overview

In 2022, the global landscape was marked by uncertainty and economic turbulence. While recovering from the COVID-19 pandemic, the stability of the worldwide supply chain still had significant challenges in the first half of the Year. The Russo-Ukrainian conflict kept global commodity and energy prices at high levels. At the same time, the Federal Reserve raised the interest rates and the currency market was very volatile during the Year. As a result, economic recovery was slower than expected.

The demand for smart and sustainable living has increased in the post-pandemic era. The increased attention to health, remote work, home entertainment, and security has accelerated the adoption of smart technologies. At the same time, sustainability becomes critical to maintaining our quality of life, protecting our ecosystem and preserving natural resources for future generations.

Geopolitical events, like the Russo-Ukrainian conflict and economic problems, like the soaring energy price, increase people's demand for energy-saving products. These challenges are accelerating innovations toward smart and sustainable living. We can see more and more applications in AI, Machine Learning ("ML"), IoT, ChatGPT, and robotics in our daily lives.

Computime focuses on smart and sustainable living with technology as our core competency. The Group will continue to invest in new technologies and platforms, including AI, ML, IoT, robotics, cloud computing, and more. We will integrate such technologies into our products to realize the full potential of Computime's total smart solutions.

## Business and Financial Review

Amidst the challenging environment, the Group continued to invest in technological innovations and global footprint expansion while honoring delivery commitments to our customers. This approach effectively retained existing customers, ensuring a consistent order volume which resulted in an increase in revenue to HK$4,204.8 million in FY2023, compared to HK$4,184.8 million for the year ended 31 March 2022 ("FY2022"). Due to the Group's relentless effort to control costs and minimize the negative impact of uncertainties, the gross profit excluded the additional inventory provision for the Group's Malaysia operation of HK$54.9 million in FY2023 increase to 13.4% to HK$563.7 million (FY2022: HK$537.3 million) compared to last year. The overall gross profit margin, including the additional inventory provision, remained at 12.1% (FY2022: 12.8%), demonstrating the Group's business resilience in a volatile environment.

In response to the severe global material shortage in previous years, the Group strategically increased inventory holding of critical components to ensure on-time order fulfillment and delivery. As a result, the Group increased the inventory level for materials to cater for the then-growing demand, including the inventories in the Group's Malaysia operation set up during the initial stage of the COVID-19 pandemic. In FY2023, the Group made additional inventory provisions for the operations in Malaysia as the movement of the relevant inventories was assessed at a lower rate than expected. Additionally, there was a one-off gain from the remeasurement of existing interests in Braeburn's business in FY2022.

With the additional inventory provisions in Malaysia, the Group's profit for the Year decreased by 71.9% year-on-year to HK$23.5 million (FY2022: HK$83.7 million), and the Group's EBITDA decreased by 8.7% year-over-year to HK$240.2 million (FY2022: HK$263.1 million). However, if we exclude the additional inventory provision in Malaysia this year and remeasurement gain from the acquisition of Braeburn last year, Adjusted Profit after tax[1] would be increased by 21.9% from HK$64.3 million in FY2022 to HK$78.4 million in FY2023 and Adjusted EBITDA[1] would be increased by 21.0% from HK$243.8 million in FY2022 to HK$295.0 million in FY2023.

The Group expects unfavorable factors to diminish as supply chains stabilize and inventory turnover improves. At the same time, the Group will revamp the material and order management processes. We will also enhance operational efficiency through Lean Manufacturing Model and overhead reduction programs.

Throughout the Year, the Group committed to maintaining a stable financial position to address macro environment risks and proactively improve debt management capabilities. The Group's gearing ratio[2] remained at an optimal level of 46.8% (FY2022: 40.8%). Management put effort into financial control continually. Trade receivables in FY2023 was HK$555.2 million (FY2022: HK$499.2 million). Trade and bills payable increased year-on-year from HK$807.0 million to HK$1,012.4 million. The Group utilized the idle cash to pay out short-term bank borrowings more timely to lower finance costs. While cash and cash equivalents declined to HK$307.8 million in FY2023 from HK$347.7 million in FY2022, net cash improved significantly by 36.4% compared to the same period last year (FY2023: HK$84.3 million; FY2022: HK$61.8 million). The increasing net cash on hand supports the future expansion of the Group.

The Group has two business segments: Control Solutions Business and Branded Business.

The Control Solutions Business provides design, engineering, technology, and manufacturing services, including Original Equipment Manufacturer ("OEM") and Original Design Manufacturer ("ODM"), to international branded customers. The products focus on commercial and industrial applications such as home appliance controls, heating, ventilation and air-conditioning controls ("HVAC"), smart home controls, industrial controls, and medical devices.

Our best-in-class engineering and manufacturing solutions allow us to retain the existing customer base and attract new customers in the market. The Control Solutions Business secured stable order volume, with revenue remaining on par with the same period, reaching HK$3,665.7 million (FY2022: HK$3,773.6 million). The segment's profit margin experienced a decline of 2.0 percentage points to 9.4% (FY2022: 11.4%). Throughout the Year, the Control Solutions Business enjoyed a robust new business pipeline and secured many new projects. These multi-year projects will yield benefits over the coming years, supporting the future growth of the Control Solutions segment.

---

1 *Adjusted EBITDA and Adjusted Profit after tax excluded the additional inventory provision for the Group' s Malaysia operation of HK$54.9 million in the current year and one-off gain on remeasurement of an existing interest in an associate upon a business combination of HK$19.4 million in last year.*

2 *Calculated based on the net debt divided by the equity attributable to owners of the Company plus net debt. Net debt is the sum of interest-bearing bank borrowings, trade and bills payables, and other payables and accrued liabilities, minus cash and bank balances and time deposits with an original maturity of three months or less when acquired.*

The Branded Business offers smart home, energy management and net-zero home solutions to professional installers, property developers, utility companies, and wholesalers under our Salus and Braeburn house brands. Salus primarily targets the European market and provides eco-friendly smart home solutions. Salus focuses on scalable and customizable solutions for the growing demand for net-zero homes. These solutions enable customers to manage optimal energy usage at home with a product portfolio including climate controls, EV chargers, backup batteries, solar panels, heat pumps, home security systems and integrated software management tools. The increasing market demand for smart and sustainable products and the recognition of the Salus brand resulted in substantial growth in order volume.

Braeburn, acquired by the Group in December 2021, is one of North America's most rapidly growing control solution brands. Its sales network is predominantly within the professional installer and wholesaler markets, with a product portfolio focusing on energy-saving and smart HVAC solutions. Combined with Salus, our Branded Business now covers Europe and North America, making us a global brand in energy management and smart home markets.

The synergetic effect between Salus and Braeburn resulted in accelerating revenue growth and reducing the operating cost of the Branded Business. The segment delivers a favorable performance with revenue growing 31.1% year-over-year to HK$539.1 million (FY2022: HK$411.2 million).

Product development and technological innovation were among the key focuses for the Group during the Year. The Group concentrated on developing products and ecosystems for smart and sustainable living. Throughout the Year, the Group increased research and development ("R&D") investments in IoT/sensors, cloud infrastructure, connectivity, human-machine interface, artificial intelligence, and machine learning. Leveraging our core technological advantages, the Group developed a versatile product platform covering EV chargers, smart irrigation, robotics, professional security, AI climate control, and new form factor thermostats.

A strong R&D team is essential for driving technological advancements. The Group has an in-house engineering team of over 500 members, covering all disciplines. This lays a solid foundation for technology innovation and product realization. The Group will continue introducing new products into the portfolio to maintain our market leadership. At the same time, the Group will also continue to improve quality and efficiency through the introduction of new manufacturing technologies and methodologies. This strategic approach to technological investment will safeguard the growth in revenue and profit in the years to come.

The Group has formulated a global footprint strategy in diversifying its manufacturing base. With over one million square feet of production floor space across six facilities on three continents, the Group's operations are strategically located in China, Malaysia, Vietnam, Mexico, and Romania. This approach enables the Group to provide flexible manufacturing solutions to mitigate growing geopolitical risk.

Our Group is committed to thinking and acting on ESG proactively. We firmly believe that a strong ESG proposition creates value for all our stakeholders, including investors, customers, employees, suppliers and partners. During the Year, our ESG management committee establishes the vision, strategy and implementation plan for the ESG programs in all our operations worldwide. We follow the reduce, reuse and recycle principles in managing our waste and controlling carbon emissions. Our effort has been recognized by various certification bodies, the community and the customers.

Enterprise software system plays a crucial role in improving the management of business processes in any company. Implementing the SAP system will increase the efficiency of our global workforce by facilitating effective data processing and information flow across the organization. The SAP system provides centralized, accurate, and real-time data for resource planning and decision-making. The Group is confident that deploying the SAP system will improve the quality and effectiveness of our overall execution.

Talent is the most valuable asset of the Group. We have designed customized training programs to improve our employees' leadership, management and professional capabilities. Our NextGen and Management Trainee Programs identify and train our future leaders in the Group. Through our employee engagement programs, we want to foster positive attitudes and behaviors that increase productivity, enhance retention, and improved business outcomes. During the Year, we arranged various meetings and activities, such as Executive Committee Luncheons, Town Hall Meetings, company outings and holiday-themed parties, to strengthen employee relationships and to promote company culture.

## Outlook

The global economy is recovering gradually from the COVID-19 pandemic. The short-term economic outlook remains unclear due to numerous challenges, such as persistently high inflation levels, systemic risks in the banking sector, the cumulative and lagging effects of monetary policies, and the continued low consumer sentiments. Despite the challenging environment, we have positioned ourselves as a technology, manufacturing and brand leader in the smart and sustainable living markets. As a result, we are less affected by short-term economic factors and we maintain a cautiously optimistic position in our future outlook.

In our Control Solutions business segment, we will continue to leverage our technological advantage and manufacturing know-how as a specialist in the appliance controls, climate controls, smart home controls, industrial controls, and medical devices market. We will use our global footprint advantage to provide flexible solutions to existing and new customers worldwide. We will also dedicate resources to grow China market.

In our Branded business segment, we will introduce new climate control products under the Salus and Braeburn brands. We have continuously expanded our customer base through geographical expansion, online sales, and new distribution channels. We also plan to extend our product/service offerings in net-zero homes, including EV chargers, backup batteries, robotic lawnmowers, and professional security.

We also plan to use this period of economic uncertainty to focus more on our internal business improvement, including strengthening our cost control and resources optimization, creating our global operation standards, and improving our material and inventory management. We also plan to implement SAP in our main operating regions. Finally, we will continue incorporating ESG into our business strategy and corporate culture.

Our technology and product roadmaps focus on two critical areas. First, we would expand our strong position in the HVAC market. Our goal is to become a major player in providing net-zero solutions, especially in Europe, due to soaring energy costs. Our portfolio of products will include climate control devices, photovoltaic solar panels, battery energy storage systems and advanced software energy management solutions.

In addition, we will also leverage on the increasing need for smart, intelligent, and autonomous products to improve the quality of life. We are already deploying AI technologies to realize energy savings in some of our core products, such as thermostats. We will substantially increase the application of AI technologies in new product categories such as smart irrigation, indoor air quality, and home security.

Our ultimate goal is to improve the quality of living for society and forge a path towards a more environmentally conscious and verdant future.

## Liquidity, Financial Resources, and Capital Structure

The Group maintained a sound financial and liquidity position in the Year. As of 31 March 2023, the Group maintained cash and bank balances of HK$307,770,000 (FY2022: HK$347,727,000), which included cash and bank balances of HK$253,733,000 (FY2022: HK$301,758,000) and restricted deposits of HK$54,037,000 (FY2022: HK$45,969,000) for issuance of bank acceptance notes. The Group held a cash and bank balance of HK$80,322,000 (FY2022: HK$132,682,000) denominated in Renminbi ("RMB"). The remaining balance was mainly denominated in United States dollars ("US dollars"), HK dollars, or Euros ("EUR"). Overall, the Group maintained a robust current ratio of 1.3 times (as of 31 March 2022: 1.4 times).

As of 31 March 2023, total interest-bearing bank borrowings were HK$223,510,000 (FY2022: HK$285,923,000), comprising mainly bank loans repayable within one Year. Most of these borrowings were denominated in US dollars, HK dollars, or EUR (FY2022: US dollars, HK dollars or EUR), and the interest rates applied were primarily subject to floating rate terms.

As of 31 March 2023, total equity attributable to owners of the Company amounted to HK$1,318,240,000 (FY2022: HK$1,386,401,000). The Group had a net balance of total cash and bank balances less total interest-bearing bank borrowings of HK$84,260,000 (FY2022: HK$61,804,000).

## Treasury Policies

The Group is exposed to foreign exchange risk through sales and purchases denominated in currencies other than the functional currency of the operations to which they relate. The currencies are primarily US dollars, RMB, EUR, and British Pounds ("GBP"). The Group closely monitors its overall foreign exchange exposure from time to time and will adopt a proactive but prudent approach to minimise the relevant exposures.

## Capital Expenditure and Commitments

During the Year, the Group incurred total capital expenditures of approximately HK$165,612,000 (FY2022: HK$166,867,000) for additions to leasehold land, property, plant, and equipment and deferred expenditure associated with developing new products.

As of 31 March 2023, the Group had capital commitments contracted but not provided for HK$23,470,000 (FY2022: HK$33,295,000), mainly for the acquisition of property, plant, and equipment. Further details are set out in note 33 of the Notes to Financial Statements.

## Contingent Liabilities

As of 31 March 2023, the Group had no significant contingent liabilities (FY2022: Nil).

## Charges on Assets

The Group undertakes to the bank that short-term bank deposits of HK$54.0 million (FY2022: HK$46.0 million) must be maintained with the respective bank during the life of certain bill payables.

## Employee Information

As of 31 March 2023, the Group had a total of 4,221 full-time employees (FY2022: 4,900 full-time employees). Total staff costs for the Year amounted to HK$685,540,000 (FY2022: HK$687,189,000). Salaries and wages are generally reviewed annually by individual qualifications, performance, the Group's results, and market conditions. The Group provides its employees year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy, and training. The Company currently has a share option scheme which was adopted on 14 September 2016 ("2016 Share Option Scheme") following the expiry of the old share option scheme on 14 September 2016 ("2006 Share Option Scheme") under which the Company can grant options to, among other things, employees of the Group to subscribe for shares of the Company to reward those who have contributed to the Group and encourage employees to work towards enhancing the value of the Company and its claims for the benefit of the Company and its shareholders of the Company (the "Shareholders") as a whole. Until this announcement date, no share options remained outstanding under the 2006 and 2016 Share Option Schemes.

# Profile of Chairman Emeritus, Directors, Senior Management and Company Secretary

## Chairman Emeritus

**AUYANG Ho**, aged 91

Mr. AUYANG Ho ("Mr. AUYANG") was an executive director ("Executive Director"), chairman of the Board ("Chairman"), chairman of both the executive committee ("Executive Committee") and nomination committee ("Nomination Committee") and a member of the remuneration committee ("Remuneration Committee") of the Company until 13 April 2022. He is now a director of Computime International Limited, a subsidiary of the Company. Besides, Mr. AUYANG is a director and a shareholder of Solar Power Group Limited, the controlling shareholder of the Company. He is the father of Mr. AUYANG Pak Hong Bernard ("Mr. Bernard AUYANG"), an Executive Director, Chairman and the chief executive officer of the Company ("Chief Executive Officer"). Mr. AUYANG co-founded the Group in 1974. He graduated from the South China Institute of Technology (now known as the South China University of Technology), where he studied structural engineering. Mr. AUYANG has more than 50 years of experience in manufacturing operations, product management and development in the electronics industry. Prior to founding the Group, Mr. AUYANG was an engineer in the Ministry of Railways of the People's Republic of China. During the period from April 1965 to January 1973, he worked in the group of The Hong Kong Chiap Hua Manufactory Company, (1947) Limited (now known as "Chiaphua Limited") (this group is hereinafter referred to as "Chiaphua Group"). He had served as an assistant plant manager of the extrusion plant for The Hong Kong Chiap Hua Manufactory Company (1947) Limited from April 1965 to December 1970. From January to September 1970, he acted as a project manager for International Containers Limited (a company formed by Chiap Hua Group and another party and has now been dissolved) and was responsible for supervising and co-ordinating the setting-up of a new manufacturing plant and all the facilities. In September 1970, he was formally promoted as the plant manager of International Containers Limited and held the position until he left Chiap Hua Group in January 1973. Mr. AUYANG then formed the Group and under his leadership, the Group received The Chinese Manufacturers' Association of Hong Kong New Product Award in 1976. Mr. AUYANG has been instrumental in spearheading the Group's expansion and has secured many key customers since 1980.

## Directors

### Executive Directors

**AUYANG Pak Hong Bernard**, aged 55

Mr. Bernard AUYANG is an Executive Director, the Chairman and the Chief Executive Officer of the Group (the "CEO"). He is a son of Mr. AUYANG Ho, the Chairman Emeritus of the Company. Bringing with him over 30 years of experience in the electronic industry and general management, Mr. Bernard AUYANG also serves as the chairman of the Nomination Committee and member of the Executive Committee and the Remuneration Committee.

Mr. Bernard AUYANG has been the chairman of a Hong Kong-based investment firm; and was a chief executive officer of a brand and technology company focusing on innovative communication and outdoor products. He is also a director and the vice chairman of the board of directors of CUHK Medical Centre Limited, as well as the chairman of the IT committee and a member of the executive, business development and fundraising committees.

Mr. Bernard AUYANG was an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee and the nomination committee of Lever Style Corporation, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 1346) from 12 October 2019 to 2 May 2022. He was also an outside director, and the chairman of both of the nomination committee and the compensation committee of Sumida Corporation, a company listed on the Tokyo Stock Exchange, First Section (stock code: 6817) from 20 March 2013 to 25 March 2022.

Mr. Bernard AUYANG received the Young Industrialist Awards of Hong Kong in 1999 and was named the Hong Kong Young Industrial Ambassador in 2002. He was also the past international chairman of the Young Presidents' Organization (YPO), a global network of chief executives, from Year 2014 to 2015. Mr. Bernard AUYANG is currently a council member of St. Paul's Co-educational College, a member of the advisory board of the Institute of Chinese Studies of The Chinese University of Hong Kong and a member of the committee of Overseers of Wu Yee Sun College, and an honorary court member of the Hong Kong University of Science and Technology. Mr. Bernard AUYANG obtained a Bachelor of Arts magna cum laude in East Asian Studies and Economics from Harvard University in the U.S.A. in 1991.

**WONG Wah Shun**, aged 60

Mr. WONG Wah Shun ("Mr. Kent WONG") is an Executive Director and serves as a member of the Executive Committee. Having over 30 years of experience in the electronic industry focusing on product development, manufacturing, distribution and brand development, he was the chief executive officer of the Branded Business in VTech Telecommunication before leaving the company in 2008, after 19 years working with them. Afterwards, he worked in companies with renowned brands on product and technology sides at a senior executive level, notably including being the president of Salus Solutions of the Group in the year of 2009. Mr. Kent WONG is a Chartered Engineer and a member of the Institution of Engineering and Technology (IET). He earned a Master's degree in Engineering Management from City University of Hong Kong, a Master's degree in Engineering from the University of Warwick, a Master's degree in Business Administration from the University of Strathclyde and an Executive Master's degree in Business Administration from the Kellogg-HKUST. He also holds 3 invention patents in the United States Patent and Trademark Office.

## Non-executive Directors

**KAM Chi Chiu, Anthony**, aged 61

Mr. KAM is a non-executive director ("Non-executive Director") and a member of the audit committee ("Audit Committee") of the Company. Mr. KAM is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. He holds a Master's degree in Mathematics from the University of Oxford in the United Kingdom. He is qualified as a chartered accountant in London and currently practices as a certified public accountant in Hong Kong. Mr. KAM was appointed as a Non-executive Director in September 2006.

**WONG Chun Kong**, aged 62

Mr. WONG Chun Kong ("Mr. CK WONG") is a Non-executive Director. He is a solicitor of the High Court of Hong Kong. Mr. CK WONG was educated in both Hong Kong and England. He has substantial experience in civil litigation and deals mainly in commercial, personal injuries, banking and administrative law litigation, corporate acquisition, cross-border joint ventures etc. He had served as a Deputy Adjudicator of the Small Claims Tribunal of Hong Kong Special Administrative Region (the "HKSAR") in 1998 and as an Adjudicator of the Registration of Persons Tribunal of HKSAR during the period from March 2005 to February 2011. He was also a panel member of the Municipal Services Appeals Board of HKSAR during period from January 2009 to December 2014. He is now a Chief Adjudicator of the Registration of Persons Tribunal of HKSAR. Mr. CK WONG has been a Non-executive Director of the Company since February 2008.

## Independent Non-executive Directors

**LUK Koon Hoo**, aged 71, *BBS, JP*

Mr. LUK is an independent non-executive director ("Independent Non-executive Director"), the chairman of the Audit Committee and members of the Nomination Committee and the Remuneration Committee. He is a retired banker, and has 30 years of comprehensive experience in accounting and financial management. He began at Hang Seng Bank in 1975 as a trainee officer. He was appointed as personal assistant to the deputy general manager and held that office from 1987 to 1989. Mr. LUK served as the head of financial control in 1989, as director and deputy chief executive in 1994 and as managing director and deputy chief executive from 1996 to his retirement in May 2005. Regarding Mr. LUK's other directorships, he is currently the independent non-executive director of several public companies whose shares are listed on the Stock Exchange, including Hung Hing Printing Group Limited (Stock Code: 450), i-Cable Communications Limited (Stock Code: 1097) and Harbour Centre Development Limited (Stock Code: 51). He was an independent non-executive director of China Properties Group Limited (Stock Code: 1838) from February 2007 to June 2023. Mr. LUK is a council member of The Chinese University of Hong Kong. Mr. LUK also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broadbased Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Board of Trustees of the Sir Edward Youde Memorial Fund, the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission ("SFC"), Barristers Disciplinary Tribunal Panel, the Operations Review Committee of Independent Commission Against Corruption and Town Planning Board and as a non-executive director of Urban Renewal Authority. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council. He holds a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of The Hong Kong Institute of Bankers. Mr. LUK is a non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services. Mr. LUK was appointed as an Independent Non-executive Director in September 2006.

**Patrick Thomas SIEWERT**, aged 67

Mr. SIEWERT is an Independent Non-executive Director, the chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee. He is a managing director and partner of The Carlyle Group, advising on investments in consumer and retail businesses across Asia and globally since April 2007. Previous to joining The Carlyle Group, he held various positions in Asia with The Coca-Cola Company including group president and president and chief operating officer and corporate executive committee member during the period from 2001 to 2007. He was responsible for some of the highest growth businesses in The Coca-Cola Company and some of its most innovative and successful product launches. Mr. SIEWERT's early career experiences were with the Eastman Kodak Company, where he had worked since 1974, holding positions in sales management, marketing, finance, brand management, business planning and general management in various countries/regions around the world, including the America, Europe and Asia. He served as chairman, Greater China Region, chief operating officer of Kodak's global consumer business and president, Kodak Professional, its global commercial business. He was a senior vice-president of Eastman Kodak Company. Mr. SIEWERT attended the Rochester Institute of Technology in Imaging Science, Business and Service Management and received a Bachelor of Science in Business Administration/Finance from Elmhurst College, Illinois and a Master of Science from the Rochester Institute of Technology. He currently serves as a director in Avery Dennison Corporation, a company listed on the New York Stock Exchange (NYSE: AVY), and Mondelēz International, Inc., a company listed on the NASDAQ Stock Market (NASDAQ: MDLZ). He has served as past director of several companies in the broadcasting, health and beauty, hotel/tourism and animal nutrition and natural resources sectors. He has also served as past director of several trade organisations including the US-Hong Kong Business Council, US China Business Council, US-ASEAN Business Council and board of governors, American Chamber of Commerce in Hong Kong. He is a member of the Young Presidents' Organization and Chief Executives Organization. Mr. SIEWERT is a recipient of several diversity awards and a United Nations IPC Lifetime Achievement Award. Mr. SIEWERT was appointed as an Independent Non-executive Director in September 2006.

**HO Pak Chuen Patrick**, aged 68

Mr. HO is an Independent Non-executive Director, and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. HO is currently the chief operating officer of Fung Investment Management Limited, he also holds directorship in a number of private companies within the Fung Group, a Hong Kong-based multinational which comprises major subsidiaries in trading, logistics, distribution and retailing. Mr. HO is also an independent non-executive director, the chairman of the remuneration committee, and a member of the audit committee, the nomination committee and the health, safety and environment committee of Yip's Chemical Holdings Limited, a company listed on the Main Board of The Stock Exchange (Stock Code: 408). Mr. HO was a director of Global Brands Group Holding Limited from 10 August 2021 to 30 June 2022, a company delisted from the Stock Exchange on 25 July 2022. Mr. HO previously was with The Dow Chemical Company and retired in 2018 after 40 years of service. He was Global Business Director for Ethylene Oxide, Propylene Oxide and Derivatives in Chemicals and Metals in Dow headquarters in Midland, Michigan. Mr. HO returned to Hong Kong in 1998 as President for Dow Chemical, Asia Pacific region, Global Vice President for Epoxy and Specialty Chemicals and subsequent served as the Asia Pacific Vice President for manufacturing, public and government affairs. Mr. HO was the Chairman of Association of International Chemical Manufacturers (AICM) in Hong Kong/China from 2001 to 2003. Mr. HO holds a bachelor degree in Chemical Engineering from Queen's University at Kingston, Canada. Mr. HO was appointed as an Independent Non-Executive Director in July 2020.

**Roy KUAN**, aged 56

Mr. KUAN is an Independent Non-executive Director, and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. KUAN is the chairman and chief executive officer of Generation Asia Acquisition I Limited, a US$220 million special purpose acquisition company listed on the New York Stock Exchange (NYSE: GAQ). Previously, Mr. KUAN worked for over 20 years and was a managing partner at CVC Capital Partners, a leading global private equity firm with US$140 billion in cumulative funds under management. Mr. KUAN has invested and served on the boards of companies across the telecom, media, consumer, business services, and industrial sectors in Asia. Prior to CVC, Mr. KUAN was an investment director at Citigroup's Asian private equity investment division. Mr. KUAN received his Master of Business Administration degree from the Wharton School, University of Pennsylvania. He earned his Bachelor of Arts degree from Georgetown University, where he was a George F. Baker Scholar. Mr. KUAN was appointed as an Independent Non-executive Director in September 2020.

## Senior Management

**POON Jimmy Chi Man**, aged 64

Mr. POON joined the Group in 2019 as Chief Operating Officer. Mr. POON showed his earliest stints in the US with his leadership role on process and product development as well as programs and operations. On relocating back to Hong Kong, he became the vice president of operations for Kalex, a printed circuit board manufacturer. Subsequently, he spent 13 years with Multek/Flextronics in charge of operations for multiple factories in the Zhuhai area of Mainland China, as well as running the entire Quality program for Multek globally. He was the chairman of Flextronics's Six Sigma Council leading this business excellence initiative globally. Mr. POON had also assumed chief operating officer for TTM Technologies and senior vice president of global operations for Universal Electronics Inc. Prior to joining Computime, he was the vice president of asia operations and global quality for Isola Group, a global leader of copper-clad laminates and dielectric prepregs. Mr. POON earned a Bachelor degree in Chemical Engineering from Columbia University, US, a Master degree in Mechanical Engineering from Polytechnic University of New York, US, and an MBA from Hofstra University, US.

**CHUNG Ming Kit,** aged 45

Mr. CHUNG joined the Group in 2022 as Chief Financial Officer. He has over 20 years of experience in finance, accounting and management. Prior to joining our Group, he had worked in an international accounting firm and other companies listed on the Main Board of the Stock Exchange, NASDAQ and the Singapore Exchange Limited. Mr. CHUNG obtained his Bachelor degree in business administration in accounting from the Hong Kong University of Science and Technology in Hong Kong. He is a holder of a Chartered Financial Analyst of the CFA Institute and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. CHUNG is a non-executive director in Arredamenti Company Limited. He is also an independent non-executive director of Cutia Therapeutics since 12 June 2023, a company listed on the Stock Exchange (Stock Code: 2487).

**CHOI Lap Hung**, aged 60

Mr. CHOI joined the Group in 2020 and is the President of Control Solutions of the Group. He is a veteran of the electronic manufacturing services ("EMS") industry, and brings with him over 30 years of experience in a variety of capacities including industrial product R&D, supply chain strategy, operations as well as business development. Mr. CHOI oversees the sales function and is responsible for customer relationships across Europe, the US and the Asia-Pacific region. Prior to joining Computime, Mr. CHOI was a vice president of Kaifa Technology Limited where he oversaw the corporate supply chain strategy and expanded the business in Asia, Europe and the Middle East. Before that, he was a general manager of VTech Communications Limited where he oversaw international business development. Mr. CHOI holds a Master of Science degree in Manufacturing Systems Engineering from the University of Warwick in the United Kingdom.

**HO Pak Tong Jimmy**, aged 60

Mr. HO Pak Tong Jimmy ("Mr. Jimmy HO") joined the Group in 2014, and is the Vice President – Global Human Resources. He has over 25 years of experience in Human Resources. Mr. Jimmy HO has held senior positions as regional and global head of human resources in sizable multinational and local companies including WL Gore & Associates, Novo Nordisk, ASML, Spotless Group and Lee Kum Kee. Mr. Jimmy HO graduated from The Hong Kong Polytechnic University and has a Master of Science degree in Human Resources Management from the College of Dublin, National University of Ireland.

**WONG Kung Keung Roger**, aged 59

Mr. WONG Kung Keung Roger ("Mr. Roger WONG") joined the Group in 2020, and is the Vice President of Global Operations. He has over 25 years of experience in both manufacturing and supply chain. Prior to joining Computime, Mr. Roger WONG was the general manager and legal representative of Belton Technology Group, where he led and managed their operations located in Wuxi, Zhuhai, Dongguan and Shenzhen. Mr. Roger WONG was with Flextronics/Multek for 18 years where he served different leadership roles, as the senior director for supply chain management for 13 facilities worldwide, the general manager of operations for six factories located in Hong Kong and Zhuhai. Mr. Roger WONG holds a Fellow of Management and Business Administration from the Professional Validation Council of Hong Kong Industries in 2016 and a holder of three Masters degrees – Master of Chinese Law from Renmin University of China in 2009, an Executive Master of Business Administration from the Chinese University of Hong Kong in 2006 and a Master of Engineering Business Management from the University of Warwick/The Hong Kong Polytechnic University in 1999. He has a Diploma in Purchasing and Supply and Post Experience in Industrial and Operations Management, both from The Hong Kong Polytechnic University. He also holds a diploma in Demand Flow Technology and Business Strategy from John Costanza Institute of Technology Incorporation.

**Jeroen STEENBLIK**, aged 49

Mr. STEENBLIK joined the Group in 2021 and is the Chief Technology Officer and the Vice President of Computime Brands of the Group. He has over 20 years of extensive experience in the consumer electronics industry having worked in engineering, consumer marketing and business management. For over 18 years, he worked at Philips in the Netherlands, Singapore and Hong Kong, where he developed and successfully launched many highly innovative products to market amongst the first connected home entertainment and IoT products. In recent years, he was involved in helping to diversify the consumer electronics portfolio in TCL Electronics by setting up and successfully starting the new soundbar business group, which with its innovative product range ranked in many awards at IFA 2019 and CES 2020. Mr. STEENBLIK holds a Bachelor degree in Electrical and Electronic Engineering from Fontys University in the Netherlands.

**HA Wai Leung**, aged 64

Dr. HA joined the Group in 1998, and is the Executive Vice President – Research and Development. He is a Chartered Engineer and a member of The Institute of Measurement and Control and IET, as well as a senior member of The Institution of Electrical and Electronics Engineers, with over 30 years of working experience in engineering and research and development. Prior to joining Computime, he worked as senior management in R&D in various electronics companies in Hong Kong and Singapore. He obtained an Engineering Doctorate's degree in Engineering Management from City University of Hong Kong, a Master degree in Electronic Systems Design from City University of Hong Kong, a Master degree in Engineering from The University of Hong Kong, and an Associateship and Higher Diploma in Electrical Engineering from The Hong Kong Polytechnic University.

**FU Mei Yuk**, aged 52

Ms. FU rejoined the Group in 2020 as the Vice President – Business Development. She has over 25 years of experience in the sales and marketing and business development in the EMS industry. She held various senior management positions previously, including working as the General Manager of Business Development for 10 years in the Group. Prior to rejoining Computime, Ms. FU was the vice president of business development in Wise Ally International Holdings Limited. She obtained a Bachelor degree in Organisation Studies and Sociology from the University of Lancaster in the United Kingdom.

**CHEUNG Kam Tim**, aged 58

Mr. CHEUNG joined the Group in 2018, and is the Head of Engineering. He has over 30 years of experience in consumer products segment, 10 years of which in electronic product development, 10 years in mobile phone industry, and 10 years in semi-conductors. Mr. CHEUNG gained valuable experience at Motorola where he had worked for 10 years in key roles in Product Engineering and integrated circuit ("IC") Design. Subsequent to his career in Motorola, Mr. CHEUNG successfully took key positions at companies such as WE3 Technology, Solomon Systech, and Wong's Electronics Company, and build an extensive track record in mobile phone and consumer electronic segments. He published a technical paper in the Proceedings of IEEE International Symposium on Circuits and Systems and has four patents issued in the US. He was the key contributor of winning three awards from Hong Kong Awards for Industries and one award from The Institution of Engineering and Technology (IET) Innovation Awards. Mr. CHEUNG is a Chartered Engineer and a member of IET. He holds a Master Degree and a Bachelor Degree in Engineering, majoring in Electronics and Communication from The Hong Kong Polytechnic University.

## Company Secretary

**WONG Samuel Wan Kay**, aged 42

Mr. WONG Samuel Wan Kay ("Mr. Samuel WONG") was appointed as the company secretary of the Company ("Company Secretary") on 11 December 2020. Mr. Samuel WONG joined the Group in August 2016 and is the General Manager – Legal and Corporate Affairs. He has over 15 years of multidisciplinary experience, and is currently practising in the areas of legal, regulatory, corporate finance, investor relations, company secretarial, corporate governance and compliance. Prior to joining Computime, Mr. Samuel WONG worked for a private company in the healthcare industry in Hong Kong, and a US listed technology company in Canada. Mr. Samuel WONG is a Fellow of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute, holding Chartered Secretary and Chartered Governance Professional dual designations. Mr. Samuel WONG earned his Juris Doctor – Master of Business Administration (JD/MBA) dual degree from The Chinese University of Hong Kong, a Postgraduate Certificate in Laws from The University of Hong Kong, a Master of Science degree in Corporate Governance and Compliance from Baptist University of Hong Kong, and an Honours Bachelor of Applied Science degree in Computer Engineering from The University of Waterloo in Canada, where he was a Nortel Networks Institute Scholar. He is also a life time member of the Beta Gamma Sigma.

# Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the Year.

## Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries of the Company are primarily engaged in research and development, design, manufacture and trading of electronic control products. There was no significant change in the Group's principal activities during the Year.

An analysis of the Group's performance for the Year by business and geographical segments is set out in note 4 to the financial statements.

## Results and Appropriations

The results of the Group for the Year and financial position of the Group as at that date are set out in the sections headed "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Financial Position" respectively in this annual report.

The Board has resolved to recommend to the Shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 7 September 2023 (the "2023 AGM") a final dividend of HK$0.0210 per share for the Year (the "Proposed Final Dividend") to be paid on Monday, 9 October 2023 to those Shareholders whose names appear on the register of members of the Company on Thursday, 21 September 2023.

## Closure of Register of Members

### (a) Entitlement to attend and vote at the 2023 AGM

The 2023 AGM is scheduled to be held on Thursday, 7 September 2023. For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 4 September 2023 to Thursday, 7 September 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2023 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 1 September 2023.

### (b) Entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of the Shareholders at the 2023 AGM. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Tuesday, 19 September 2023 to Thursday, 21 September 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 18 September 2023.

## Business Review

A review of the Group's business during the Year, which includes a discussion of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group, an analysis of the Group's performance using financial key performance indicators, an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis contained in this annual report. The aforesaid sections form part of this Report of the Directors.

## Environmental and Social Performance

The Group emphasises the importance of business ethics, energy conservation and environmental protection as part of its corporate culture. We recognise that sustainable development of our business requires our continuous progress in terms of the economy, environment, and social responsibility. To further enhance our commitment in adherence to the environmental and social responsibilities, we have set up an Environmental, Social and Governance (the "ESG") management committee to support the Board in overseeing the implementation of our policies in this regard. We set quantitative environmental reduction targets using environmental key performance indicators on electricity consumption, greenhouse gas emissions, water consumption and general waste, to cover the period up to Year 2025. We also disclose the significant climate related issues which have impacted and may impact the Group's businesses. The ESG report for the Year which contains further details of the Company's environmental policies and performance is published on the Company's website, as well as the website of the Stock Exchange.

The Group has complied with the relevant laws and regulations that have a significant impact on the Group.

## Relationship with Employees, Customers and Other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the Year, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

## Donations

Charitable and other donations made by the Group during the Year amounted to approximately HK$233,000.

## Share Capital

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

## Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any predetermined dividend payout ratio. Depending on the financial conditions of the Company and the Group, and the conditions and factors as set out in the Dividend Policy (including but not limited to the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans), dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

## Equity-Linked Agreements

For the Year, the Company has not entered into any equity-linked agreements, save for share options granted under the paragraph headed "Share Option Schemes" in this Report of the Directors and in note 31 to the financial statements.

## Distributable Reserves

Distributable reserves of the Company as at 31 March 2023, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK$898,431,000 (before deduction of the proposed final dividend of HK$17,693,000).

## Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 March 2023 are set out in note 28 to the financial statements.

## Pension Scheme

The pension scheme contributions are set out in note 7 to the financial statements.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the previous financial years is set out in the section headed "Financial Summary" in this annual report.

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

## Property, Plant and Equipment

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

## Directors

The directors of the Company ("Directors") during the Year and up to the date of this report are as follows:

### Chairman Emeritus:

Mr. AUYANG Ho *(Note 1)*

### Executive Directors:

Mr. AUYANG Pak Hong Bernard *(Chairman and Chief Executive Officer)* *(Note 2)*
Mr. WONG Wah Shun

### Non-executive Directors:

Mr. KAM Chi Chiu, Anthony
Mr. WONG Chun Kong

### Independent Non-executive Directors:

Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

*Notes:*

*(1) Retired as an Executive Director and Chairman of the Board and appointed as the Chairman Emeritus with effect from 13 April 2022.*

*(2) Appointed as the Chairman of the Board with effect from 13 April 2022.*

Pursuant to Article 87 of the Articles of Association, Mr. WONG Wah Shun, Mr. LUK Koon Hoo and Mr. Patrick Thomas SIEWERT will retire from office by rotation at the 2023 AGM. Mr. LUK Koon Hoo and Mr. Patrick Thomas SIEWERT will not offer themselves for re-election at the 2023 AGM and will retire while Mr. WONG Wah Shun, being eligible, will offer himself for re-election at the 2023 AGM.

## Independence Confirmation

The Company has received annual confirmations of independence from Mr. LUK Koon Hoo, Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN pursuant to Rule 3.13 of the Listing Rules. The Company considers all the existing Independent Non-executive Directors remain independent as at the date of this report.

## Directors' Service Contracts

None of the directors being proposed for re-election at the 2023 AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed in note 34 to the financial statements, no transaction, arrangement or contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## Biographical Details of Directors and Senior Management

Biographical details of directors and senior management are set out under the section headed "Profile of Chairman Emeritus, Directors, Senior Management and Company Secretary" in this annual report. The directors' biographies are also available on the Company's website.

## Directors' and Senior Management's Emoluments

A summary of the directors' and senior management's remuneration is set out in note 8 to the financial statements and in the section headed "Corporate Governance Report" in this annual report respectively.

## Permitted Indemnity Provision

The Articles of Association provide that the directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any director. The Company has taken out and maintained appropriate insurance to protect the Directors against potential costs and liabilities arising from claims brought against the Directors. Such permitted indemnity provision for the benefit of the Directors is currently in force and was in force during the Year.

## Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 31 March 2023, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Listing Rules were as follows:

### Long position in the shares of the Company

| Name of director | Capacity | Number of ordinary shares interested | *Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Mr. AUYANG Ho (Note 1) | Interest of a controlled corporation | 352,500,000 (Note 2) | 41.84% |
| | Beneficial owner | 1,023,000 | 0.12% |
| | | 353,523,000 | 41.96% |

*Note:*

1. *Mr. AUYANG Ho retired as Chairman and Executive Director with effect from 13 April 2022.*

2. *These shares were held by Solar Power Group Limited ("SPGL"). SPGL is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. AUYANG Ho.*

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2023.*

Save as disclosed above, as at 31 March 2023, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Rights to Acquire Shares

Save as disclosed in note 31 to the financial statements about the Company's share option schemes, at no time during the Year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 March 2023, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long position in the shares of the Company

| Name of substantial shareholder | Capacity | Number of ordinary shares interested | *Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| SPGL | Beneficial owner | 352,500,000 *(Note 1)* | 41.84% |
| Ms. TSE Shuk Ming | Interest of spouse | 353,523,000 *(Note 2)* | 41.96% |
| Mr. HEUNG Lap Chi, Eugene | Beneficial owner | 202,132,000 | 23.99% |
| Ms. LEUNG Yee Li, Lana | Interest of spouse | *202,132,000* *(Note 3)* | 23.99% |

*Notes:*

1. *The interest of SPGL was also disclosed as the interest of Mr. AUYANG Ho in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".*

2. *Ms. TSE Shuk Ming was deemed to be interested in 353,523,000 shares of the Company through the interest of her spouse, Mr. AUYANG Ho.*

3. *Ms. LEUNG Yee Li, Lana was deemed to be interested in 202,132,000 shares of the Company through the interest of her spouse, Mr. HEUNG Lap Chi, Eugene.*

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2023.*

Save as disclosed above, as at 31 March 2023, no person, other than the directors of the Company whose interests are set out in the section headed "Directors and Chief Executives Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Share Option Schemes

The purpose of the share option schemes of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The 2006 Share Option Scheme has expired on 14 September 2016. Unless otherwise cancelled or lapsed in accordance with the 2006 Share Option Scheme, the outstanding share options granted under the 2006 Share Option Scheme would remain exercisable. At the annual general meeting of the Company held on 14 September 2016, the Company adopted the 2016 Share Option Scheme which, unless otherwise cancelled or terminated, would remain in force for 10 years from the adoption date. Further details of the 2006 Share Option Scheme and the 2016 Share Option Scheme are set out in note 31 of the financial statements.

Details and movements of the share options of the Company granted under the 2006 Share Option Scheme during the Year are as follows:

| | Number of share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Category of participants** | **As at 1 April 2022** | **Granted during the Year** *(Note 1)* | **Exercised during the Year** *(Note 1)* | **Cancelled during the Year** *(Note 1)* | **Lapsed/ forfeited during the Year** *(Note 2)* | **As at 31 March 2023** | **Date of grant of share options** *(Note 3)* | **Exercise period of share options** | **Exercise price per share HK$** |
| **Other Eligible Participant** | 1,600,000 | – | – | – | (1,600,000) | – | 28 April 2016 | from 28 April 2017 to 27 April 2026 | 1.174 |
| | 1,600,000 | – | – | – | (1,600,000) | – | 28 April 2016 | from 28 April 2018 to 27 April 2026 | 1.174 |
| | 1,600,000 | – | – | – | (1,600,000) | – | 28 April 2016 | from 28 April 2019 to 27 April 2026 | 1.174 |
| | 1,600,000 | – | – | – | (1,600,000) | – | 28 April 2016 | from 28 April 2020 to 27 April 2026 | 1.174 |
| | 1,600,000 | – | – | – | (1,600,000) | – | 28 April 2016 | from 28 April 2021 to 27 April 2026 | 1.174 |
| **Total** | 8,000,000 | – | – | – | (8,000,000) | – | | | |

*Notes:*

1. *No share options were granted, exercised and cancelled under the 2006 Share Option Scheme during the Year.*

2. *8,000,000 share options granted under the 2006 Share Option Scheme were lapsed during the Year.*

3. *The vesting period of the share options granted under the 2006 Share Option Scheme is from the date of grant until the commencement of the exercise period.*

Details and movements of the share options of the Company granted under the 2016 Share Option Scheme during the Year are as follows:

| Category of participants | Number of share options: As at 1 April 2022 | Granted during the Year (Note 1) | Exercised during the Year (Note 1) | Cancelled during the Year (Note 1) | Lapsed/ forfeited during the Year (Note 2) | As at 31 March 2023 | Date of grant of share options | Exercise period of share options | Exercise price per share HK$ |
|---|---|---|---|---|---|---|---|---|---|
| **Other Eligible Participant** | 200,000 | – | – | – | (200,000) | – | 28 April 2017 | from 28 April 2020 to 27 April 2027 | 1.04 |
| | 200,000 | – | – | – | (200,000) | – | 28 April 2017 | from 28 April 2021 to 27 April 2027 | 1.04 |
| | 1,600,000 | – | – | – | (1,600,000) | – | 28 April 2017 | from 28 April 2022 to 27 April 2027 | 1.04 |
| | 2,000,000 | – | – | – | (2,000,000) | – | | | |
| **Director** Mr. AUYANG Pak Hong Bernard | 4,000,000 | – | – | – | (4,000,000) | – | 1 April 2020 | from 1 July 2022 to 30 June 2030 | 0.345 |
| | 4,000,000 | – | – | – | (4,000,000) | – | | | |
| **Total** | **6,000,000** | **–** | **–** | **–** | **(6,000,000)** | **–** | | | |

*Notes:*

1. *No share options were granted, exercised and cancelled under the 2016 Share Option Scheme during the Year.*

2. *4,000,000 share options under the 2016 Share Option Scheme were lapsed during the Year.*

## Management Contracts

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

## Major Customers and Suppliers

The percentages of sales for the Year attributable to the Group's major customers are as follows:

Sales

| | | |
|---|---|---|
| — | the largest customer: | 20.7% |
| — | five largest customers combined: | 60.1% |

None of the Directors, their close associates or any Shareholder (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had an interest in the major customers noted above.

The aggregate percentage of purchases attributable to the Group's five largest suppliers for the Year was less than 30% of the Group's purchases.

## Directors' Interest in Competing Business

As at 31 March 2023, to the best knowledge of the Directors, none of the Directors was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

## Corporate Governance

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

## Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

## Audit Committee

The Audit Committee comprising four Independent Non-executive Directors of the Company, namely, Mr. LUK Koon Hoo (chairman of the Audit Committee), Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN and a Non-executive Director of the Company, namely, Mr. KAM Chi Chiu, Anthony, has reviewed the consolidated financial statements of the Group for the Year and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

## Discloseable Transaction

During the Year, the Group had below discloseable transaction, details of which were disclosed in compliance with the requirement of Chapter 14 of the Listing Rules.

### Purchase of Interest in Braeburn

On 31 December 2021, HVAC Controls Limited, an indirectly wholly-owned subsidiary of the Company (the "Buyer"), entered into a membership interest purchase agreement (the "Purchase Agreement") with Braeburn Systems LLC ("Braeburn"), The Glenn A. Moore Trust dated 26 May 2006, the Robert L. Carter Declaration of Trust dated 22 March 2006, The John Kezios Living Trust dated 15 January 2019 and Jordan Miller (the "Sellers") and Glenn A. Moore, Robert L. Carter, and John Kezios, pursuant to which, the Buyer purchased and the Sellers sold the purchased units at US$10,069,169.92 (equivalent to HK$78,539,525.38) (the "Purchase Price"). The purchased units represent 62.9998% of the membership interests of Braeburn (the "Purchase"). Immediately after the closing of the Purchase, the Buyer held 90% of the membership interests of Braeburn. Details of the Purchase were disclosed in the Company's announcement dated 31 December 2021.

The final purchase price for the Purchase paid to the Sellers, as adjusted in accordance with the mechanism provided under the Purchase Agreement, was US$9,777,875 (equivalent to HK$76,267,425) (the "Adjusted Cash Consideration"). As the Adjusted Cash Consideration was less than the Purchase Price, the deficit of US$291,295 has been settled by returning an equivalent amount from the transaction adjustment escrow amount (the "Transaction Adjustment Escrow Amount") to the Buyer, and the remainder of the Transaction Adjustment Escrow Amount has been distributed to the Sellers. The update of the final purchase price was disclosed in the Company's announcement dated 27 May 2022.

The total consideration for the Purchase was in the form of cash of US$10,332,000 (equivalent to approximately HK$80,547,000), inclusive of transactional expenses incurred by the Sellers.

In respect of the discloseable transaction disclosed above, the Directors confirm that the Company has complied with the disclosure requirement in accordance with Chapter 14 of the Listing Rules during the Year.

## Litigation

On 13 April 2021, the Company received a writ of summons (the "Writ") indorsed with a statement of claim (the "Statement of Claim") filed with the Registry of the High Court of the HKSAR issued by Altis Technology (Hong Kong) Limited, Altis Technology Limited, and Altis Global Limited as the plaintiffs (collectively the "Plaintiffs"). The defendants listed in the Writ are, among others, the Company and three direct or indirect wholly-owned subsidiaries of the Company (CT Nova Limited, Computime China Distribution (Hong Kong) Limited and Computime International Limited); AUYANG Pak Hong Bernard, the Chairman and Chief Executive Officer; and Solar Power Group Limited, a substantial shareholder of the Company. Details of the litigation were disclosed in the Company's announcement dated 13 April 2021.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float.

## Auditor

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the 2023 AGM.

## Appreciation

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the Year.

By Order of the Board

**AUYANG Pak Hong Bernard**
*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2023

# Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the Year.

## Corporate Governance Principles and Practices of the Company

The Board believes that good corporate governance practices are important for enhancing corporate value and investors' confidence and interests. The Company has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of the business of the Group, the cornerstone of which is to have an experienced and committed Board and an effective internal control and to enhance its transparency and accountability to Shareholders.

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with the code provisions (the "Code Provision") set out in the CG Code throughout the Year, except for the deviation from Code Provisions C.1.6 and C.2.1 of the CG Code as described below:

Code Provision C.1.6 of the CG Code provides that independent non-executive directors and non-executive directors should attend general meetings. Due to other business arrangement at the relevant time, Mr. Roy KUAN did not attend the annual general meeting of the Company on 8 September 2022.

Code Provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. With effect from 13 April 2022, Mr. AUYANG Pak Hong Bernard, the chief executive officer of the Company, has also assumed the role of the Chairman. The Board believes that this can provide the Group with consistent leadership and allow more effective implementation of the overall strategy of the Group. The Board is of the view that this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board, which currently comprises a high percentage of independent non-executive directors who can scrutinise important decisions and monitor the power of the chairman and chief executive. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. AUYANG Pak Hong Bernard to make decisions about the businesses and operations of the Group. The Board believes that the interests of the Group and the Shareholders as a whole have been safeguarded. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

The Board will continue to enhance the corporate governance practices and standards of the Company appropriate to the conduct and growth of its business and to review such practices and standards regularly to ensure that they comply with the statutory and professional standards and align with the latest developments. The key corporate governance principles and practices of the Company are summarised as follows:

## Our Vision, Mission and Values

Computime envisions becoming a leading innovator and promoter of smart and sustainable living with a mission to universalize smart and sustainable living through technologies, products, and manufacturing solutions. Computime advocates for the five core values of "Customer Focus, Solution-Driven, Innovation, Collaboration, and Integrity" to drive the Group's sustainable development.

## The Board of Directors

### Responsibilities and Delegation

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to Shareholders, and, on behalf of the Shareholders, overseeing the Company's financial performance. All directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

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

The Company has maintained various measure and mechanisms to ensure that independent views and input are available to the Board. All Directors have full, timely and independently access to all relevant information as well as the advice and services of the senior management, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The implementation and effectiveness of the relevant measures and mechanisms are reviewed by the Board on an annual basis.

The day-to-day management, administration and operation of the Company are led by the Executive Committee and the Chief Executive Officer of the Company. The Board has also delegated a schedule of responsibilities to the senior management of the Company, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Board has the full support of the senior management to discharge its responsibilities.

The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing officers and senior management.

### Board Composition

As at 31 March 2023, the Board comprised eight members in total, with two Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. During the Year, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of its Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The list of all Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Independent Non-executive Directors are expressly identified in all corporate communications of the Company. The Company also has maintained on its website an updated list of its directors identifying their roles and functions.

The relationships among the members of the Board are disclosed under the section headed "Profile of Chairman Emeritus, Directors, Senior Management and Company Secretary" in this annual report.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for the exercise of independent judgement. Each Executive Director supervises specific areas of the Group's business in accordance with his expertise. The Non-executive Directors are of sufficient caliber and number for their views to carry weight and they bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, the Non-executive Directors have made various contributions to the effective direction of the Company.

The Company has received a written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements under the Listing Rules. The Company considers all of its Independent Non-executive Directors independent in accordance with the independence guidelines set out in the Listing Rules.

The Company firmly believes that the increasing diversity at the board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company has formulated Board Diversity Policy. While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, professional experiences, skills, knowledge and service tenure, and finally make decisions based on the value of candidates and contributions they can bring to the Board.

## Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company fully supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

For the Year, Mr. AUYANG Ho, who was the Chairman, took up the responsibility of the management of the Board whereas Mr. Bernard AUYANG, the Chief Executive Officer, was responsible for the day-to-day management of the Group's business. The respective responsibilities between the Chairman and the Chief Executive Officer had been clearly established and set out in writing.

With effect from 13 April 2022, Mr. AUYANG Ho retired as an Executive Director and the Chairman and Mr. Bernard AUYANG was appointed as the Chairman.

Deviation from Code Provision C.2.1 of the CG Code is disclosed under the section of "Corporate Governance Principles and Practices of the Company" in the Corporate Governance Report.

## Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Company has established a Nomination Committee, which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of Independent Non-executive Directors. Additional information on such Nomination Committee is set out in the "Board Committees and Corporate Governance Functions" section below.

Each of the Executive Directors is engaged on a service contract with the Company for a term of three years. The Company has also issued respective letters of appointment to its Non-executive Directors and Independent Non-executive Directors specifying their term of appointment. The current term of appointment of all the Non-executive Directors and Independent Non-executive Directors does not exceed three years.

In addition, in accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting after his/her appointment.

## Induction and Continuing Development for Directors

Each newly appointed Director receives an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key plant sites and/or meetings with the senior management of the Company.

Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

Besides, continuing briefings and professional development for Directors will be arranged whenever necessary.

Under Code Provision C.1.4 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

According to the records of training maintained by the Company, during the Year, all the Directors pursued continuous professional development and relevant details are set out below:

| **Name of Director/retired Director** | **Type of Training** *(Notes)* |
|---|---|
| Mr. AUYANG Ho* | A |
| Mr. AUYANG Pak Hong Bernard | A, B |
| Mr. WONG Wah Shun | A, B |
| Mr. KAM Chi Chiu, Anthony | A, B |
| Mr. WONG Chun Kong | A, B |
| Mr. LUK Koon Hoo | A, B |
| Mr. Patrick Thomas SIEWERT | A, B |
| Mr. HO Pak Chuen Patrick | A, B |
| Mr. Roy KUAN | A, B |

*Notes:*

**: Retired as an Executive Director and Chairman with effect from 13 April 2022*
*A: reading journals, updates, articles and/or materials, etc.*
*B: attending seminars, conference and/or forums*

## Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group, when necessary, and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial Shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting or by way of signing a written resolution of the Directors. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates have a material interest.

### Model Code for Securities Transactions

The Company has adopted its own code of conduct (the "Own Code") regarding dealings in the securities of the Company by the Directors, senior personnel and certain employees of the Group (who are likely to be in possession of inside information in relation to the Company or its securities) on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Each Director has been given a copy of the Own Code. The Company will notify Directors and relevant employees in advance in respect of the restricted period on dealings in the Company's securities, if the period is known to the Company.

Specific enquiry has been made of the Directors and all of them have confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the period from 1 April 2022 to the date of this report.

In addition, no incident of non-compliance of the Own Code by the employees of the Group was noted for the period from 1 April 2022 to the date of this report.

## Board Committees and Corporate Governance Functions

The Board has established four Board committees, namely, the Executive Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.computime.com" (the terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are also posted on the website of the Stock Exchange) and are available to Shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

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

### Executive Committee

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

With effect from 13 April 2022, Mr. AUYANG Ho retired as an Executive Director and the Chairman and Mr. AUYANG Pak Hong Bernard was appointed as the Chairman and also act as the chairman of the Executive Committee.

## Audit Committee

The Audit Committee comprises a total of five members, four of which are Independent Non-executive Directors, namely, Mr. LUK Koon Hoo, Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN and a Non-executive Director, Mr. KAM Chi Chiu, Anthony. The chairman of the Audit Committee is Mr. LUK Koon Hoo who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules and is an Independent Non-executive Director. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the Year, the Audit Committee met five times with the presence of the Company's senior management and/or the external auditor and performed the following major works:

— Review of the financial statements, results announcements and reports for the year ended 31 March 2022 and for the six months ended 30 September 2022, the accounting principles and practices adopted by the Group and the relevant audit findings;

— Review and discussion with the auditor on the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and the review of the arrangements for employees of the Company to raise concerns about possible improprieties; and

— Review the risk management process prepared by the senior management;

— Review of the annual ESG report;

— Discuss the litigation update; and

— Consideration of the internal audit plan and report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

## Nomination Committee

For the Year, the Nomination Committee comprised a total of six members, being two Executive Directors, namely, Mr. AUYANG Ho and Mr. AUYANG Pak Hong Bernard and four Independent Non-executive Directors, namely, Mr. LUK Koon Hoo, Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN. Accordingly, a majority of the members are Independent Non-executive Directors. The chairman of the Nomination Committee was Mr. AUYANG Ho, who was an Executive Director and the Chairman.

With effect from 13 April 2022, Mr. AUYANG Ho ceased to be the chairman of the Nomination Committee and Mr. AUYANG Pak Hong Bernard was appointed as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee are reviewing and giving recommendation on the composition of the Board, formulating relevant procedures for nomination and appointment of Directors, identifying qualified individuals to become members of the Board, monitoring the appointment and succession planning of Directors, and assessing the independence of the Independent Non-executive Directors.

The Company has adopted the Director Nomination Policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring the Board's continuity and appropriate leadership at the Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. In selecting and evaluating candidates for directorship, the Nomination Committee may make reference to certain criteria, such as the needs of the Company, the integrity, experience, skills and professional knowledge of the candidate, and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. Each candidate shall be ranked by order of preference based on the needs of the Company and his/her reference check. The Nomination Committee shall report its findings and make recommendations to the Board on the appointment of appropriate candidate for directorship for decision. The Human Resources department will also assist and an external recruitment agency may be engaged in carrying out the recruitment and selection process where necessary.

The Company also recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed to attract and retain candidate(s) for the Board with a combination of competencies from the widest possible pool of available talents; and to assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any. A Board Diversity Policy was adopted by the Company, pursuant to the Code Provision B.1.3 of the CG Code, the board should review the implementation and effectiveness of Company's policy on board diversity on an annual basis. The Nomination Committee has performed the above duties in terms of selection of candidates and review of the implementation and effectiveness of the Company's diversity policy during the Year. The Board and the Nomination Committee is responsible for reviewing and assessing the composition of the Board under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience) and for ensuring that changes to the composition of the Board be managed without undue disruption. The Nomination Committee shall report its findings and make recommendations to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimal composition of the Board that are aligning with the Company's strategies and objectives.

During the Year, the Nomination Committee has met one time and performed the following major works:

— Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

— Assessment of the independence of the Independent Non-executive Directors; and

— Recommendation on the re-appointment of retiring Directors at the 2023 AGM.

The current composition of the current session of the Board lacks diversity in terms of gender. As at 31 March 2023, all members of the Board were male. In accordance with the current Listing Rules regime, the Company should achieve Board diversity in terms of gender by 2024. The Company is contemplating to appoint a female Director to join the Board by 2024. The Board considers by engaging human resources agencies and/or through open selection process to identify potential successors for the Board and enhance gender diversity in the coming years in order to comply with Rule 13.92 of the Listing Rules and will emphasize to include gender as a factor to be taken into consideration for achieving the Board diversity.

The Company is committed to promoting gender diversity not only within the Board but among the Group's workforce generally. As at the date of this report, the ratio of male employees to the female employees of the Group's total workforce accounted for approximately 57.3%. The Board is of the view that the Group has achieved gender diversity among employees. The Group's recruitment strategy is underpinned by the appointment of the right employee for the right position, in order to achieve employee diversity for all employees (including the senior management) in terms of gender, age, cultural and educational background, expertise, skills and know-how.

## Remuneration Committee

For the Year, the Remuneration Committee comprises a total of five members, being one Executive Director, namely, Mr. AUYANG Ho and four Independent Non-executive Directors, namely, Mr. Patrick Thomas SIEWERT, Mr. LUK Koon Hoo, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN. Accordingly, a majority of the members are Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Patrick Thomas SIEWERT, who is an Independent Non-executive Director.

With effect from 13 April 2022, Mr. AUYANG Ho ceased to be a member of Remuneration Committee and Mr. AUYANG Pak Hong Bernard was appointed as a member of the Remuneration Committee.

The principal duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; make recommendations on the remuneration packages of Executive Directors and senior management (i.e. the model described in the Code Provision E.1.2(c) of the CG Code is adopted); and review and approve performance-based remuneration by reference to corporate goals and objectives.

The Human Resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman and the Chief Executive Officer about these recommendations on remuneration policy and structure and remuneration packages.

During the Year, the Remuneration Committee has met one time and performed the following works:

— Review and recommendation of the remuneration packages of Directors and senior management of the Group;

— Review and recommendation of the terms of the Director's service contract;

— Review and recommendation of performance-based remuneration and bonus to the Directors and senior management of the Group; and

— Review and recommendation of the remuneration packages of the directors newly appointed and re-designated during FY2023.

Pursuant to Code Provision E.1.5 of the CG Code, the remuneration of the members of senior management by band for the Year is set out below:

| | Number of Employees |
|---|---|
| Nil to HK$2,000,000 | 3 |
| HK$2,000,001 to HK$2,500,000 | 4 |
| HK$2,500,001 to HK$3,000,000 | 0 |
| HK$3,000,001 to HK$3,500,000 | 2 |
| | 9 |

Details of the remuneration of each Director for the Year are set out in note 8 to the financial statements.

## Corporate Governance Functions

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

For the Year, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## Attendance Records of Directors and Committee Members

For the Year, the Board held four Board meetings. The attendance records of each Director at the Board and Board Committee meetings (except the Executive Committee) and the annual general meeting of the Company held during the Year is set out in the table below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| Name of Director | Board | Audit Committee | Nomination Committee | Remuneration Committee | Annual General Meeting |
| Mr. AUYANG Ho[(1)] | 0/4 | – | 0/3 | 0/4 | 0/1 |
| Mr. AUYANG Pak Hong Bernard[(2)] | 4/4 | – | 3/3 | 3/4 | 1/1 |
| Mr. WONG Wah Shun | 4/4 | – | – | – | 1/1 |
| Mr. KAM Chi Chiu, Anthony | 4/4 | 5/5 | – | – | 1/1 |
| Mr. WONG Chun Kong | 4/4 | – | – | – | 1/1 |
| Mr. LUK Koon Hoo | 4/4 | 5/5 | 3/3 | 4/4 | 1/1 |
| Mr. Patrick Thomas SIEWERT | 4/4 | 5/5 | 3/3 | 4/4 | 1/1 |
| Mr. HO Pak Chuen Patrick | 4/4 | 5/5 | 3/3 | 4/4 | 1/1 |
| Mr. Roy KUAN | 4/4 | 5/5 | 3/3 | 4/4 | 0/1 |

*Note:*

*(1) Retired as an Executive Director and Chairman with effect from 13 April 2022*

*(2) Appointed as Chairman with effect from 13 April 2022*

## Directors' Responsibilities for Financial Reporting in respect of the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the Year.

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

## Risk Management and Internal Controls

The Board has delegated the responsibilities to oversee the Group's Risk Management and Internal Control Systems to the Audit Committee of the Group. These Systems include responsibilities to oversee the Group's Enterprise Risk Management ("ERM") Framework, to advise the Board on the Group's risk-related matters, to approve the Group's risk policies, and to assess the effectiveness of the Group's risk controls and mitigation tools.

The Board acknowledges that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

## Risk Management Process

### Risk context establishment

The ERM Framework and the Risk Management Committee was set up in April 2016. The Group's risk appetite defining the extent of risks that the Group is willing to undertake was set up for the Group as to ensure risks and opportunities are identified and assessed in a consistent manner.

### Risk identification

Management's input on opportunities and risk exposures across the business lines is solicited through facilitated workshops and a series of Internal Control Questionnaires. A comprehensive list of threats and opportunities based on those events that might enhance, prevent, degrade, accelerate or delay the achievement of objectives is generated.

### Risk assessment and prioritisation

Identified opportunities and risks are further evaluated by management using a scale to evaluate their likelihood of occurrence and impact to the Group's business activities, finances, operations and regulatory compliance. The risks are then prioritised based on the evaluation results.

### Risk treatment

Identified risk owners assess effectiveness of existing controls and provide treatment plans when required. Individual risks that fall outside the Group's risk tolerance are treated, monitored and reviewed in accordance with a priority order.

### Risk review

The Risk Officers and the respective process owners in Risk Management Committee review and update their risk registers, facilitate and monitor the implementation of effective risk management practices, report adequate risk-related information throughout the Group to the Board and Audit Committee. Risk Management Committee is responsible for identifying and assessing opportunities and risks in a macroscopic and strategic view, including emerging risks.

### Risk reporting

Management reports key corporate and business level risks and action plans to Audit Committee on a regular basis. Significant changes in key risks on a day-to-day basis are mitigated and reported to management as they arise.

### Risk monitoring activities

The Board and Audit Committee oversee the process, assisted by Internal Audit department. Management updates its updated reports to the Audit Committee on movements of top risks and appropriate mitigating measures.

## Risk Governance

The Group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and directions from the Audit Committee, as below:

**Board of Directors**

- Establishes business strategy and approves risk appetite

**Audit Committee**

**Risk related duties**

- Oversees the Group ERM Framework and approves risk management policies
- Advises the Board on the Group's risk-related matters
- Reviews the overall risk assessment along with the effectiveness of the risk controls and mitigation process
- Considers emerging risks related to the Group's business and strategies
- Reviews risk reports and breaches of risk tolerances and the related policies

**Financial and fiduciary duties**

- Oversees financial reporting
- Oversees internal control systems

**Risk Management Committee**

Functions that oversee risks

- Reviews departmental reports on key risks and considers common risks across the Group
- Oversees implementation of the Group's ERM Framework applicable throughout the Group

**Internal Audit Department**

- Provides independent assurance

**Management**

Functions that own and manage risks

- Maintains effective internal controls and for executing risk and controls procedures on a day-to-day basis
- Implements corrective actions to address process and controls deficiencies
- Identifies, assesses, controls, and mitigates risks, guides the development and implementation of internal policies and procedures and ensures that activities are consistent with the Group's goals and objectives

The Three Lines of Defence model distinguishes among three groups (or lines) involved in effective risk management:

1. First Line of Defence, functions that own and manage risks:

   At the first line of defence, operational managers own and manage risks. The operational managers are also responsible for implementing corrective actions to address process and controls deficiencies. Operational management is responsible for maintaining effective internal controls and for executing risk and controls procedures on a day-to-day basis. Operational management identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives. Through a cascading responsibility structure, mid-level managers design and implement detailed procedures that serve as controls and supervise execution of those procedures by their employees.

   Operational management naturally serves as the first line of defence because controls are designed into systems and processes under their guidance of operational management. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight controls breakdown, inadequate processes, and unexpected events.

2. Second Line of Defence, functions that oversee risks:

   Management establishes various risk management and compliance functions to help building and/or monitoring the first line of defence controls. The Risk Management Committee facilitates and monitors the implementation of effective risk management practices by operational management and assists different risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the Group. The Risk Management Committee classifies all identified risks into four major categories, and delegates to the corresponding management to oversee and manage the associated identified risks. The four major categories comprise of financial, compliance, operational and business related risk matters. Each corresponding management is required to ensure that the first line of defence is properly designed, in place, and operating as intended.

3. Third Line of Defence, functions that provide independent assurance:

   Internal audit function provides the Audit Committee and senior management with assurance based on the highest level of independence and objectivity within the Group. This high level of independence is not available in the second line of defence. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls.

## Disclosure of Inside Information Procedures

The Group has incorporated procedures for reporting and disseminating inside information. These procedures ensure the timely disclosure of information on the Group and the fulfilment of the Group's continuous disclosure obligations.

## Review on the Effectiveness of Risk Management and Internal Controls

During the Year, the Group conducted an annual Group-wide review based on the Group's ERM Framework to assess the risks relevant to both existing and new businesses of the Group.

For the Year, the Board considered the risk management and internal control systems effective and adequate. No significant areas of concern that may affect the financial, operational, compliance, business controls, and risk management functions of the Group have been identified.

During the review, the Board also considered the resources, qualification and experience of staff of the Group's internal controls, accounting and financial reporting function, and their training and budget were adequate.

### Forward-looking in Risk Management and Internal Controls

In the context of a fast-changing global and local environment, the monitoring of "emerging risks" will be a focus. In general, maintaining an effective risk management system on a day-to-day basis by our operating units is a continuous journey. The Group shall continue this path, with further integration of internal controls and risk management into its business processes.

## External Auditor and Auditor's Remuneration

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

A summary of audit and non-audit services provided by the external auditor for the Year and their corresponding remuneration is as follows:

| Nature of services | | Amount<br>HK$'000 |
|---|---|---|
| Audit services | | 2,621 |
| Non-audit services | | |
| (i) | Tax services | 522 |
| (ii) | Services rendered in connection with the Company's interim report | 228 |
| (iii) | Services rendered in connection with the Company's announcement of final results | 24 |

## Company Secretary

Mr. Samuel WONG, General Manager of Legal and Corporate Affairs of the Group, has been appointed by the Company as Company Secretary on 11 December 2020. Profile of Mr. Samuel WONG can be referred to the section of Profile of Directors, Senior Management and Company Secretary. All Directors have access to the advice and services of Mr. Samuel WONG.

For the Year, Mr. Samuel WONG has taken no less than 15 hours of relevant professional trainings and duly complied with the training requirement under Rule 3.29 of the Listing Rules.

## Dividend Policy

Details of the Dividend Policy are set out in the section headed "Report of Directors" in this annual report.

## Communications with Shareholders and Investors

The Board believes that a transparent and timely disclosure of the Group's information will enable Shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.computime.com" as a communication platform with Shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong or via email to "ir@computime.com" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board also considers that general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, the Nomination Committee and the Remuneration Committee normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Group's developments.

The Board reviews the shareholder and investor relations policy on an annual basis, and makes any changes it considers necessary to ensure its effectiveness and that the legal interests of Shareholders and investors are substantially protected. The Board is satisfied with the implementation and effectiveness of the shareholders' communication policies.

## Shareholders' Rights

One of the measures is to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Shareholders may convene an extraordinary general meeting or put forward proposals at Shareholders' meetings as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objectives of the meeting must be stated in the written requisition.

(2) If a Shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: 6/F, Building 20E, Phase 3, Hong Kong Science Park, 20 Science Park East Avenue, Shatin, New Territories, Hong Kong

Email: "ir@computime.com"

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

All resolutions proposed at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.computime.com) immediately after the relevant general meetings.

## Change In Constitutional Documents

The Memorandum and the Articles of Association of the Company was amended during the Year. Details of the amendment were disclosed in the announcement of the Company dated 30 June 2022, circular of the Company dated 20 July 2022 and the amended Memorandum and the Articles of Association published on the website of the Stock Exchange and the Company on 8 September 2022.

# Independent Auditor's Report

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

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

**To the shareholders of Computime Group Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of Computime Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 155, which comprise the consolidated statement of financial position as at 31 March 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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.

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

## Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Trade receivables** | |
| As at 31 March 2023, the Group had a gross trade receivables balance of HK$560,329,000 and impairment allowance of HK$5,093,000.<br><br>Significant management judgement and estimates were involved in evaluating the impairment allowances for trade receivables, based on the lifetime expected credit losses to be incurred, by taking into account the ageing of the trade receivable balances, a review of the customers' accounts, experience of collection trends, the history and status of disputes or legal proceedings with customers, current business conditions as well as the extent of coverage by credit insurance. Both current and future general economic conditions are also taken into consideration by management in the estimation.<br><br>The accounting policies and disclosures for the impairment allowances for trade receivables are included in notes 2.4, 3 and 21 to the consolidated financial statements. | Our audit procedures included: (i) selecting samples for the circularisation of debtor confirmations, (ii) testing and evaluating the trade receivables' ageing report to identify any long overdue debts and their historical pattern of settlement, (iii) reviewing the status of disputes and legal proceedings with customers, (iv) assessing the subsequent settlement of trade receivables, and (v) checking the credit insurance agreements on a sampling basis. In addition, we examined the information used by management to estimate the loss allowances for trade receivables, including testing the historical default data and forward-looking information by checking to the published macroeconomic factors, and examining the actual losses recorded during the current financial year. |
| **Provision for inventories** | |
| As at 31 March 2023, the Group had a gross inventory balance of HK$1,007,182,000 and an inventory provision of HK$37,712,000. In determining the provision, management applied significant judgement and estimates, which included assumptions that are affected by current and future market conditions, and which took into account factors such as the historical usage, age, and forecast purchases and sales of inventories.<br><br>The accounting policies and disclosures for provision for inventories are included in notes 2.4, 3 and 20 to the consolidated financial statements. | Our audit procedures included: (i) assessing the lower of cost and net realisable value, by reviewing the gross profit margin analysis of products and discussing with management regarding the pricing policy, margin and provision basis, (ii) performing an obsolescence review by evaluating the subsequent usage of raw materials, work in progress and delivery of finished goods to customers, and (iii) attending the physical inventory counts. |

## Other information included in the Annual Report

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

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

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

## Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

**Ernst & Young**
*Certified Public Accountants*

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

29 June 2023

# Consolidated Statement of Profit or Loss

Year ended 31 March 2023

| | Notes | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| REVENUE | *5* | **4,204,764** | 4,184,831 |
| Cost of sales | | **(3,695,968)** | (3,647,542) |
| Gross profit | | **508,796** | 537,289 |
| Other income | *5* | **27,150** | 17,367 |
| Selling and distribution expenses | | **(107,463)** | (110,475) |
| Administrative expenses | | **(347,523)** | (334,041) |
| Other operating income, net | | **444** | 6,116 |
| Finance costs | *6* | **(49,418)** | (13,837) |
| Share of (losses)/profits of associates | | **(594)** | 442 |
| PROFIT BEFORE TAX | *7* | **31,392** | 102,861 |
| Income tax expense | *10* | **(7,853)** | (19,141) |
| PROFIT FOR THE YEAR | | **23,539** | 83,720 |
| ATTRIBUTABLE TO: | | | |
| Owners of the Company | | **22,504** | 84,227 |
| Non-controlling interests | | **1,035** | (507) |
| | | **23,539** | 83,720 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | *12* | | |
| Basic | | **2.67 HK cents** | 10.01 HK cents |
| Diluted | | **2.67 HK cents** | 10.00 HK cents |

# Consolidated Statement of Comprehensive Income

Year ended 31 March 2023

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| PROFIT FOR THE YEAR | **23,539** | 83,720 |
| OTHER COMPREHENSIVE EXPENSE | | |
| Other comprehensive expense that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(50,591)** | (47,037) |
| OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX | **(50,591)** | (47,037) |
| TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR | **(27,052)** | 36,683 |
| Attributable to: | | |
| Owners of the Company | **(28,140)** | 37,167 |
| Non-controlling interests | **1,088** | (484) |
| | **(27,052)** | 36,683 |

# Consolidated Statement of Financial Position

31 March 2023

| | Notes | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | *13* | **362,524** | 362,013 |
| Right-of-use assets | *14(a)* | **139,167** | 106,144 |
| Goodwill | *15* | **111,773** | 111,560 |
| Club debenture | | **705** | 705 |
| Intangible assets | *16* | **262,224** | 231,123 |
| Interests in associates | *17* | **1,485** | 2,079 |
| Financial asset at fair value through other comprehensive income | *18* | **–** | – |
| Financial assets at fair value through profit or loss | *19* | **9,493** | 9,359 |
| Prepayments and deposits | | **47,450** | 46,845 |
| Deferred tax assets | *29* | **23,411** | 14,208 |
| Total non-current assets | | **958,232** | 884,036 |
| CURRENT ASSETS | | | |
| Inventories | *20* | **969,470** | 935,884 |
| Trade receivables | *21* | **555,236** | 499,151 |
| Prepayments, deposits and other receivables | *22* | **139,766** | 133,166 |
| Tax recoverable | | **10,257** | – |
| Cash and bank balances | *23* | **307,770** | 347,727 |
| Total current assets | | **1,982,499** | 1,915,928 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | *24* | **1,012,386** | 807,020 |
| Other payables and accrued liabilities | *25* | **175,377** | 165,959 |
| Contract liabilities | *26* | **36,162** | 14,148 |
| Derivative financial instruments | *27* | **–** | 216 |
| Interest-bearing bank borrowings | *28* | **223,510** | 285,923 |
| Lease liabilities | *14(b)* | **48,125** | 46,450 |
| Tax payable | | **–** | 2,135 |
| Total current liabilities | | **1,495,560** | 1,321,851 |
| NET CURRENT ASSETS | | **486,939** | 594,077 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,445,171** | 1,478,113 |

## Consolidated Statement of Financial Position (continued)

31 March 2023

| | *Notes* | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | *14(b)* | **78,098** | 48,392 |
| Deferred tax liabilities | *29* | **44,258** | 39,833 |
| Total non-current liabilities | | **122,356** | 88,225 |
| Net assets | | **1,322,815** | 1,389,888 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *30* | **84,254** | 84,254 |
| Reserves | *32* | **1,233,986** | 1,302,147 |
| | | **1,318,240** | 1,386,401 |
| **Non-controlling interests** | | **4,575** | 3,487 |
| Total equity | | **1,322,815** | 1,389,888 |

**AUYANG Pak Hong Bernard**
*Director*

**WONG Wah Shun**
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 March 2023

| | Notes | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital HK$'000 *(note 30)* | Share premium account* HK$'000 *(note 30)* | Contributed surplus* HK$'000 *(note 32)* | Share option reserve* HK$'000 *(note 31)* | Exchange fluctuation reserve* HK$'000 | Retained profits* HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 April 2021 | | 83,974 | 394,934 | 1,879 | 9,524 | 79,670 | 828,429 | 1,398,410 | 9 | 1,398,419 |
| Profit for the year | | – | – | – | – | – | 84,227 | 84,227 | (507) | 83,720 |
| Other comprehensive income/(expense) for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | – | – | (47,060) | – | (47,060) | 23 | (47,037) |
| Total comprehensive income/(expense) for the year | | – | – | – | – | (47,060) | 84,227 | 37,167 | (484) | 36,683 |
| Equity-settled share option arrangements | | – | – | – | (261) | – | – | (261) | – | (261) |
| Transfer of share option reserve upon the forfeiture or lapse of share options | *31* | – | – | – | (2,899) | – | 2,899 | – | – | – |
| Issue of shares upon exercise of share options | | 280 | 1,208 | – | (438) | – | – | 1,050 | – | 1,050 |
| Acquisition of a subsidiary | *39* | – | – | – | – | – | – | – | 3,962 | 3,962 |
| Final 2021 dividend paid | *11* | – | – | – | – | – | (49,965) | (49,965) | – | (49,965) |
| At 31 March 2022 and 1 April 2022 | | 84,254 | 396,142 | 1,879 | 5,926 | 32,610 | 865,590 | 1,386,401 | 3,487 | 1,389,888 |
| Profit for the year | | – | – | – | – | – | 22,504 | 22,504 | 1,035 | 23,539 |
| Other comprehensive income/(expense) for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | – | – | (50,644) | – | (50,644) | 53 | (50,591) |
| Total comprehensive income/(expense) for the year | | – | – | – | – | (50,644) | 22,504 | (28,140) | 1,088 | (27,052) |
| Transfer of share option reserve upon the forfeiture or lapse of share options | *31* | – | – | – | (5,926) | – | 5,926 | – | – | – |
| Final 2022 dividend paid | *11* | – | – | – | – | – | (40,021) | (40,021) | – | (40,021) |
| At 31 March 2023 | | 84,254 | 396,142 | 1,879 | – | (18,034) | 853,999 | 1,318,240 | 4,575 | 1,322,815 |

* *These reserve accounts comprise the consolidated reserves of HK$1,233,986,000 (2022: HK$1,302,147,000) in the consolidated statement of financial position as at 31 March 2023.*

# Consolidated Statement of Cash Flows

Year ended 31 March 2023

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | **31,392** | 102,861 |
| Adjustments for: | | | |
| Bank interest income | *5* | **(2,041)** | (1,985) |
| Interest on bank loans | *6* | **46,119** | 10,922 |
| Interest on lease liabilities | *6* | **3,299** | 2,915 |
| Depreciation of property, plant and equipment | *7* | **70,457** | 64,336 |
| Depreciation of right-of-use assets | *7* | **48,638** | 44,849 |
| Amortisation of intangible assets | *7* | **41,495** | 38,894 |
| Write-off of deferred expenditure | *7* | **798** | 365 |
| Write-down of inventories to net realisable value | *7* | **57,842** | 27,172 |
| Loss on disposal of items of property, plant and equipment, net | *7* | **883** | 2,901 |
| Impairment of trade receivables, net | *7* | **2,275** | 1,071 |
| Reversal of equity-settled share option expenses, net | *7* | **–** | (261) |
| Gains from derivative instruments – transactions not qualifying as hedges, net | *27* | **(4,713)** | (6,768) |
| Fair value (gain)/loss from financial assets at fair value through profit or loss | *7* | **(135)** | 277 |
| Gain on remeasurement of an existing interest in an associate upon a business combination | *7* | **–** | (19,385) |
| Gain on termination of a lease contract | *7* | **(107)** | (54) |
| Share of (losses)/profits of associates | | **594** | (442) |
| | | **296,796** | 267,668 |
| Increase in inventories | | **(91,428)** | (202,667) |
| Increase in trade receivables | | **(58,360)** | (82,493) |
| Increase in prepayments, deposits and other receivables | | **(3,860)** | (77,415) |
| Increase in trade and bills payables | | **205,366** | 21,422 |
| Increase in other payables and accrued liabilities | | **9,416** | 25,548 |
| Increase in contract liabilities | | **22,014** | 6,894 |
| Movements in derivative financial instruments | | **4,497** | 6,422 |
| Increase in restricted bank deposits | | **(8,068)** | (36,830) |
| Effect of foreign exchange rate changes, net | | **(35,807)** | (63,785) |
| Cash generated from/(used in) operations | | **340,566** | (135,236) |
| Hong Kong profits tax paid | | **(4,712)** | (3,972) |
| Overseas tax paid | | **(20,749)** | (14,516) |
| Net cash flows from/(used in) operating activities | | **315,105** | (153,724) |

## Consolidated Statement of Cash Flows (continued)

Year ended 31 March 2023

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| Net cash flows from/(used in) operating activities (continued) | | **315,105** | (153,724) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | **2,041** | 1,985 |
| Purchase of a financial asset at fair value through profit or loss | *36* | **–** | (1,250) |
| Purchases of items of property, plant and equipment | | **(92,287)** | (100,696) |
| Proceeds from disposal of items of property, plant and equipment | | **76** | 2,314 |
| Acquisition of a subsidiary | *39* | **–** | (66,880) |
| Additions to intangible assets | *16* | **(73,325)** | (66,171) |
| Net cash flows used in investing activities | | **(163,495)** | (230,698) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares upon exercise of share options | | **–** | 1,050 |
| Principal portion of lease payments | | **(47,794)** | (43,061) |
| New bank loans | | **–** | 560,400 |
| Repayment of interest-bearing bank borrowings | | **(65,128)** | (357,760) |
| Interest paid | | **(49,418)** | (13,837) |
| Dividend paid | | **(40,021)** | (49,965) |
| Effect of foreign exchange rate changes, net | | **(924)** | 1,489 |
| Net cash flows (used in)/from financing activities | | **(203,285)** | 98,316 |
| NET DECREASE IN CASH AND BANK BALANCES | | **(51,675)** | (286,106) |
| Cash and bank balances at beginning of year | | **301,758** | 582,064 |
| Effect of foreign exchange rate changes, net | | **3,650** | 5,800 |
| CASH AND BANK BALANCES AT END OF YEAR | | **253,733** | 301,758 |
| ANALYSIS OF BALANCES OF CASH AND BANK BALANCES | | | |
| Cash and bank balances | *23* | **253,733** | 301,758 |

# Notes to Financial Statements

31 March 2023

## 1. CORPORATE AND GROUP INFORMATION

Computime Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2006 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The registered address of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is located at 6/F, Building 20E, Phase 3, Hong Kong Science Park, 20 Science Park East Avenue, Shatin, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively the "Group") are principally engaged in the research and development, design, manufacture and trading of electronic control products.

### Information about subsidiaries

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

| Name | Place of incorporation/ registration and business | Issued ordinary shares/ registered capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|
| Computime International Limited ("CIL") | British Virgin Islands/ Hong Kong | US$400 | 100 | Investment holding |
| Computime Limited | Hong Kong | HK$2,000,000 | 100 | Investment holding, research and development, design, manufacture and trading of electronic control products |
| Computime (Malaysia) Sdn. Bhd. | Malaysia | MYR2,500,000 | 100 | Manufacture and trading of electronic control products |
| 金寶通電子 (深圳) 有限公司 Computime Electronics (Shenzhen) Co. Ltd.# | People's Republic of China ("PRC")/ Mainland China | US$14,000,000 | 100 | Manufacture and trading of electronic control products, and provision of research and development support services |

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

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

| Name | Place of incorporation/ registration and business | Issued ordinary shares/ registered capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|
| 金寶通智能製造 (深圳) 有限公司 Computime Control Devices Manufacturing (Shenzhen) Co. Ltd.# | PRC/Mainland China | RMB20,920,000 | 100 | Manufacture and trading of electronic control products |
| Asia Electronics HK Technologies Limited | Hong Kong | HK$23,250,100 | 100 | Trading of electronic control products |
| Asia Electronics Technologies (Dongguan) Co. Ltd.# | PRC/Mainland China | US$3,300,000 | 100 | Manufacture and trading of electronic control products |
| Computime North America, Inc. | United States of America | US$1,000 | 100 | Distribution and trading of electronic control products, and provision of research and development support services |
| Salus Controls Plc | United Kingdom | GBP3,000,000 | 100 | Distribution and trading of electronic control products |

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

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

| Name | Place of incorporation/ registration and business | Issued ordinary shares/ registered capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|
| Salus Controls GmbH | Germany | EUR3,025,000 | 100 | Distribution and trading of electronic control products |
| Salus Controls Romania s.r.l. | Romania | NEW LEI200 | 100 | Distribution and trading of electronic control products |
| Salus Nordic A/S | Denmark | DKK9,000,000 | 100 | Distribution and trading of electronic control products |
| Braeburn Systems LLC ("Braeburn") | United States of America | 1,232.88 units | 90 | Distribution and trading of electronic control products |

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

Except for CIL, all the above subsidiaries are indirectly held by the Company.

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

## 2.1 BASIS OF PREPARATION

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

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 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, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in 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.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to HKAS 37 | *Onerous Contracts - Cost of Fulfilling a Contract* |
| *Annual Improvements to HKFRSs 2018-2020* | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to *the Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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

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

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| HKFRS 17 | *Insurance Contracts*[1] |
| Amendments to HKFRS 17 | *Insurance Contracts*[1,5] |
| Amendment to HKFRS 17 | *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants* (the "2022 Amendments")[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to HKAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 *Effective for annual periods beginning on or after 1 January 2023*

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

3 *No mandatory effective date yet determined but available for adoption*

4 *As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, 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*

5 *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023*

6 *An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17*

## 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.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

Amendments to HKAS 12 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 are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Interests in associates

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 is in a position to exercise 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 interests in associates are 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 associates is included in the consolidated 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 associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

### 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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill (continued)

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.

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 March. 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.

### 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.

## 2.4 SUMMARY OF SIGNIFICANT 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.

### Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties (continued)

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

(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.

### Property, plant and equipment and depreciation

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

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

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

| | |
|---|---|
| Buildings | 40 years |
| Leasehold improvements | Over the shorter of the lease term and 10% - 20% |
| Furniture, fixtures and equipment | 10% - 33.3% |
| Tools and machinery | 10% - 33.3% |
| Motor vehicles | 10% - 33.3% |
| Moulds and tooling | 20% |

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

***Deferred expenditure***

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

Deferred expenditure is stated at cost less any impairment losses and is amortised using the straight-line basis over the commercial lives of the underlying products of three or five years, commencing from the date when the products are put into commercial production.

***Brand name, patent and customer relationships***

Separately acquired brand name, patent and customer relationships are stated at historical cost. Brand name, patent and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The following intangible assets are amortised from the date they are available for use and their estimated useful lives are as follows:

| | |
|---|---|
| Brand name | Indefinite |
| Patent | 10 years |
| Customer relationships | 8 years |

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases

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

***Group as a lessee***

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

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

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

| | |
|---|---|
| Leasehold land | 51 years |
| Properties | 1 year to 6 years |
| Computer software | 5 years |

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

*(b)* *Lease liabilities*

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

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

*(c)* *Short-term leases*

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

### Fair value measurement

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

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

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

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets

***Initial recognition and measurement***

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

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

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

*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 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

***Subsequent measurement*** (continued)

*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 and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised 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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets (continued)

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

### Impairment of financial assets

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

***General approach***

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

***General approach*** (continued)

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 and contract assets which apply the simplified approach as detailed below.

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

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

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

***Simplified approach***

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

### 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, certain other payables and accrued liabilities, derivative financial instruments, interest-bearing bank borrowings and lease liabilities.

## 2.4 SUMMARY OF SIGNIFICANT 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 (loans and borrowings)*

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

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

### Derecognition of financial liabilities

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

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

### Offsetting of financial instruments

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

### Derivative financial instruments and hedge accounting

***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, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments and hedge accounting (continued)

***Initial recognition and subsequent measurement*** (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

***Cash flow hedges***

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments and hedge accounting (continued)

***Cash flow hedges*** (continued)

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments and hedge accounting (continued)

***Current versus non-current classification***

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

### 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.

### Cash and cash equivalents

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

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

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

The Group provides for warranties for designated customers in relation to the sale of goods for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

### Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with interests in subsidiaries and associates, 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

***Revenue from contracts with customers***

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

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

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

***Sale of products***

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

Some contracts for the sale of electronic control products provide customers with rights of return and early settlement rebates. The rights of return and rebates give rise to variable consideration.

(*i*) *Rights of return*

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

***Sale of products*** (continued)

(*ii*) *Early settlement rebates*

Retrospective early settlement rebates are provided to certain customers once the customers could early settle their receivable balances to the Group at a specific date. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used. The selected method that best predicts the amount of variable consideration is primarily driven by the historical settlement pattern of the customers. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

***Other income***

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

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).

### Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

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

### Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 for grants after 7 November 2002 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 using a binomial model, further details of which are given in note 31 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payments (continued)

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

### Other employee benefits

***Pension schemes***

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

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

### Borrowing costs

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

### 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.

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

## 2.4 SUMMARY OF SIGNIFICANT 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.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

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 exchange rates that approximate to those prevailing at the dates of the transactions.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgements

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

***Impairment of assets***

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment testing.

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

### 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.

***(a) Impairment of trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

***(b) Write-down of inventories to net realisable value***

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgements. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and the write-down of inventories in the period in which such estimate has been changed. The carrying amount of inventories at 31 March 2023 was HK$969,470,000 (2022: HK$935,884,000).

***(c) Impairment of intangible assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all intangible assets at the end of each reporting period. Intangible assets not yet available for use are tested for impairment annually irrespective of whether such an indicator exists. All intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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

### Estimation uncertainty (continued)

***(d) Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2023 was HK$111,773,000 (2022: HK$111,560,000). Further details are given in note 15.

***(e) Purchase price allocation***

The Group applies acquisition accounting to transactions that meet the definition of business combinations. This requires the Group to allocate the acquisition consideration to identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition. Management estimations are required to determine the fair values of assets acquired and liabilities assumed, and the related deferred tax liabilities arising from fair value adjustments at the date of acquisition. The fair values of assets and liabilities acquired on the acquisition date are set out in note 39 to the financial statements.

***(f) Leases – Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The IBR applied by the Group ranged from 1% to 5.5% (2022: 1.0% to 5.5%).

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services.

During the current year, management changed its reporting segments to (i) control solutions, and (ii) branded business as a result of the growing importance of the branded business to the Group. The corresponding information for the year ended 31 March 2022 has been re-presented accordingly.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, finance costs, share of (losses)/profits of associates, loss on disposal of a subsidiary, gain on remeasurement of an existing interest in an associate upon a business combination, as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets mainly exclude property, plant and equipment, goodwill, a club debenture, interests in associates, a financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss, right-of-use assets, deferred tax assets, cash and bank balances, and certain balances of prepayments, deposits and other receivables, tax recoverable, and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities mainly exclude interest-bearing bank borrowings, derivative financial instruments, lease liabilities, certain balances of deferred tax liabilities, certain balances of trade and bills payables, other payables and accrued liabilities, and tax payable, and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Inter-segment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 4. OPERATING SEGMENT INFORMATION (continued)

| | Control solutions | | Branded business | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment revenue:** | | | | | | |
| Sales to external customers | **3,665,675** | 3,773,625 | **539,089** | 411,206 | **4,204,764** | 4,184,831 |
| **Segment results** | **206,753** | 276,614 | **(23,553)** | (54,950) | **183,200** | 221,664 |
| Bank interest income | | | | | **2,041** | 1,985 |
| Government grants | | | | | **12,318** | 9,687 |
| Other income (excluding bank interest income and government grants) | | | | | **12,791** | 5,695 |
| Corporate and other unallocated expenses | | | | | **(128,946)** | (142,160) |
| Finance costs | | | | | **(49,418)** | (13,837) |
| Share of (losses)/profits of associates | **–** | – | **(594)** | 442 | **(594)** | 442 |
| Gain on remeasurement of an existing interest in an associate upon a business combination | | | | | **–** | 19,385 |
| Profit before tax | | | | | **31,392** | 102,861 |
| Income tax expense | | | | | **(7,853)** | (19,141) |
| Profit for the year | | | | | **23,539** | 83,720 |

## 4. OPERATING SEGMENT INFORMATION (continued)

| | Control solutions | | Branded business | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Assets and liabilities** | | | | | | |
| Segment assets | **1,351,838** | 1,318,020 | **405,861** | 359,276 | **1,757,699** | 1,677,296 |
| Interests in associates | **–** | – | **1,485** | 2,079 | **1,485** | 2,079 |
| Corporate and other unallocated assets | | | | | **1,181,547** | 1,120,589 |
| Total assets | | | | | **2,940,731** | 2,799,964 |
| Segment liabilities | **33,554** | 34,749 | **51,930** | 46,953 | **85,484** | 81,702 |
| Corporate and other unallocated liabilities | | | | | **1,532,432** | 1,328,374 |
| Total liabilities | | | | | **1,617,916** | 1,410,076 |
| **Other segment information:** | | | | | | |
| Capital expenditure* | | | | | **165,612** | 166,867 |
| Depreciation of property, plant and equipment | | | | | **70,457** | 64,336 |
| Depreciation of right-of-use assets | | | | | **48,638** | 44,849 |
| Amortisation of intangible assets | **40,808** | 38,732 | **687** | 162 | **41,495** | 38,894 |
| Write-off of deferred expenditure | **–** | – | **798** | 365 | **798** | 365 |
| Impairment/(reversal of impairment) of trade receivables, net | **542** | 1,109 | **1,733** | (38) | **2,275** | 1,071 |
| Write-down/(reversal of write-off) of inventories to net realisable value | **57,858** | 26,772 | **(16)** | 400 | **57,842** | 27,172 |

* *Capital expenditure consists of additions to property, plant and equipment, intangible assets and leasehold land classified as right-of-use assets.*

## 4. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

***(a) Revenue from external customers***

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| The Americas | **1,957,061** | 1,734,085 |
| Europe | **1,693,476** | 1,925,964 |
| Asia | **552,494** | 524,517 |
| Oceania | **1,733** | 265 |
| | **4,204,764** | 4,184,831 |

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

***(b) Non-current assets***

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| The Americas | **23,465** | 26,048 |
| Europe | **10,753** | 8,239 |
| Asia | **516,408** | 482,794 |
| | **550,626** | 517,081 |

The non-current asset information above is based on the locations of the assets and excludes goodwill, a club debenture, intangible assets, a financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred tax assets.

### Information about major customers

For the year ended 31 March 2023, revenue of approximately HK$869,210,000 (2022: HK$1,159,613,000) and HK$854,891,000 (2022: HK$741,526,000), which represented 20.7% (2022: 27.7%) and 20.3% (2022: 17.7%) of the Group's total revenue, respectively, was derived from sales by the control solutions segment to two separate single customers. They included sales to a group of entities which are known to be under common control with these customers.

## 5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Revenue from contracts with customers | **4,204,764** | 4,184,831 |

### Revenue from contracts with customers

***(i) Disaggregated revenue information***

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| **Geographical markets** | | |
| The Americas | **1,957,061** | 1,734,085 |
| Europe | **1,693,476** | 1,925,964 |
| Asia | **552,494** | 524,517 |
| Oceania | **1,733** | 265 |
| | **4,204,764** | 4,184,831 |

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 and recognised from performance obligations satisfied in previous periods:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of electronic control products | **13,105** | 2,071 |

***(ii) Performance obligations***

*Sale of electronic control products*

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 150 days (2022: 30 to 150 days) from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with early settlement rebates which give rise to variable consideration subject to constraint.

## 5. REVENUE AND OTHER INCOME (continued)

### Revenue from contracts with customers (continued)

***(ii)*** ***Performance obligations*** (continued)

An analysis of other income is as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Bank interest income | **2,041** | 1,985 |
| Government grants* | **12,318** | 9,687 |
| Sundry income | **12,791** | 5,695 |
| | **27,150** | 17,367 |

* *Government grants were granted by the respective governmental authorities in Hong Kong, Mainland China and Malaysia. During the year ended 31 March 2023, HK$3,897,000 (2022: HK$194,000), RMB458,000 (2022: RMB217,000) (equivalent to approximately HK$534,000 (2022: HK$264,000)) and nil (2022: MYR321,000) (equivalent to approximately nil (2022: HK$602,000)) were granted by the respective governmental authorities to subsidise stable employment of enterprises in Hong Kong, Mainland China and Malaysia, and nil (2022: HK$518,000) and RMB6,953,000 (2022: RMB6,682,000) (equivalent to approximately HK$7,887,000 (2022: HK$8,109,000)) were granted by the respective governmental authorities in Hong Kong and Mainland China to subsidise the development of the industry which the Group operates. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.*

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Interest on bank loans | **46,119** | 10,922 |
| Interest on lease liabilities | **3,299** | 2,915 |
| | **49,418** | 13,837 |

## 7. PROFIT BEFORE TAX

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

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| Cost of inventories sold* | | 3,638,126 | 3,620,370 |
| Depreciation of property, plant and equipment | 13 | 70,457 | 64,336 |
| Depreciation of right-of-use assets | 14(a) | 48,638 | 44,849 |
| Amortisation of patent and customer relationships^^ | 16 | 687 | 162 |
| Research and development ("R&D") costs: | | | |
| Amortisation of deferred expenditure^ | 16 | 40,808 | 38,732 |
| Write-off of deferred expenditure^ | 16 | 798 | 365 |
| Current year expenditure | | 13,546 | 15,976 |
| | | 55,152 | 55,073 |
| Lease payments not included in the measurement of lease liabilities | 14(c) | 2,728 | 1,103 |
| Loss/(gain) on termination of a lease contract | 14(c) | 107 | (54) |
| Auditor's remuneration | | 3,862 | 2,686 |
| Employee benefit expense* (including directors' remuneration – note 8): | | | |
| Wages, salaries and other benefits | | 682,114 | 683,259 |
| Pension scheme contributions## | | 3,426 | 4,191 |
| Reversal of equity-settled share option expenses, net | | – | (261) |
| | | 685,540 | 687,189 |
| Foreign exchange differences, net# | | 897 | 14,644 |
| Loss on disposal of items of property, plant and equipment, net# | | 883 | 2,901 |
| Impairment of trade receivables, net# | 21 | 2,275 | 1,071 |
| Write-down of inventories to net realisable value** | | 57,842 | 27,172 |
| Derivative instruments – transactions not qualifying as hedges# | | | |
| – Realised gains, net | | (4,497) | (6,422) |
| – Unrealised gains, net | | – | (346) |
| Fair value (gain)/loss from financial assets at fair value through profit or loss# | | (135) | 277 |
| Gain on remeasurement of an existing interest in an associate upon a business combination# | 39 | – | (19,385) |

## 7. PROFIT BEFORE TAX (continued)

* *Employee benefit expense of HK$413,686,000 (2022: HK$440,378,000) is included in "Cost of inventories sold" above.*

** *Write-down of inventories to net realisable value is included in "Cost of sales" on the face of the consolidated statement of profit or loss.*

^ *The amortisation of deferred expenditure and write-off of deferred expenditure for the year are included in "Administrative expenses" on the face of the consolidated statement of profit or loss.*

^^ *The amortisation of patent and customer relationships for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.*

# *These items are included in "Other operating income, net" 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.*

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 | **1,600** | 1,447 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **8,864** | 9,664 |
| Discretionary bonus | **–** | 2,359 |
| Reversal of equity-settled share option expenses, net | **–** | (261) |
| Pension scheme contributions | **36** | 36 |
| | **10,500** | 13,245 |

As at 31 March 2023, no director (2022: one) had outstanding share options granted by the Company, in respect of his services to the Group, under the share option schemes of the Company, further details of which are set out in note 31 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 amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

The remuneration of each of the directors and chief executive for the year ended 31 March 2023 is set out below:

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Chairman Emeritus** | | | | |
| Mr. AUYANG Ho# | – | 632 | – | 632 |
| **Executive Directors** | | | | |
| Mr. AUYANG Pak Hong Bernard ("Mr. Bernard AUYANG") | – | 6,241 | 18 | 6,259 |
| Mr. Wong Wah Shun | – | 1,991 | 18 | 2,009 |
| | – | 8,864 | 36 | 8,900 |
| **Non-executive Directors** | | | | |
| Mr. WONG Chun Kong | 178 | – | – | 178 |
| Mr. KAM Chi Chiu, Anthony | 238 | – | – | 238 |
| | 416 | – | – | 416 |
| **Independent Non-executive Directors** | | | | |
| Mr. LUK Koon Hoo | 296 | – | – | 296 |
| Mr. Patrick Thomas SIEWERT | 296 | – | – | 296 |
| Mr. Ho Pak Chuen Patrick | 296 | – | – | 296 |
| Mr. Roy KUAN | 296 | – | – | 296 |
| | 1,184 | – | – | 1,184 |
| | 1,600 | 8,864 | 36 | 10,500 |

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

The remuneration of each of the directors and chief executive for the year ended 31 March 2022 is set out below:

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonus HK$'000 | Reversal of equity-settled share option expenses, net HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Mr. AUYANG Ho# | – | 3,001 | – | – | – | 3,001 |
| Mr. Bernard AUYANG | – | 4,685 | 1,221 | (261) | 18 | 5,663 |
| Mr. Wong Wah Shun | – | 1,978 | 1,138 | – | 18 | 3,134 |
| | – | 9,664 | 2,359 | (261) | 36 | 11,798 |
| **Non-executive Directors** | | | | | | |
| Mr. WONG Chun Kong | 186 | – | – | – | – | 186 |
| Mr. KAM Chi Chiu, Anthony | 234 | – | – | – | – | 234 |
| | 420 | – | – | – | – | 420 |
| **Independent Non-executive Directors** | | | | | | |
| Mr. LUK Koon Hoo | 263 | – | – | – | – | 263 |
| Mr. Patrick Thomas SIEWERT | 251 | – | – | – | – | 251 |
| Mr. Ho Pak Chuen Patrick | 262 | – | – | – | – | 262 |
| Mr. Roy KUAN | 251 | – | – | – | – | 251 |
| | 1,027 | – | – | – | – | 1,027 |
| | 1,447 | 9,664 | 2,359 | (261) | 36 | 13,245 |

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

# *Mr. AUYANG Ho retired as an executive director and the chairman of the Board and was appointed as the Chairman Emeritus on 13 April 2022.*

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2022: three) director, details of whose emoluments are set out in note 8 above. Details of the remuneration of the remaining four (2022: two) non-director highest paid employees for the year are as follows:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 11,388 | 7,082 |
| Pension scheme contributions | 72 | 18 |
| | 11,460 | 7,100 |

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

| | Number of employees | |
|---|---|---|
| | 2023 | 2022 |
| Nil to HK$2,000,000 | – | – |
| HK$2,000,001 to HK$2,500,000 | 2 | – |
| HK$2,500,001 to HK$3,000,000 | – | – |
| HK$3,000,001 to HK$3,500,000 | 2 | 1 |
| HK$3,500,001 to HK$4,000,000 | – | 1 |
| | 4 | 2 |

## 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group entities operate.

| | **2023** HK$'000 | 2022 HK$'000 |
|---|---|---|
| Current – Hong Kong: | | |
| Charge for the year | **134** | 1,633 |
| Underprovision/(overprovision) in prior years | **69** | (328) |
| Current – Mainland China and other countries: | | |
| Charge for the year | **14,166** | 12,136 |
| (Overprovision)/underprovision in prior years | **(1,321)** | 1,764 |
| Deferred *(note 29)* | **(5,195)** | 3,936 |
| Total tax charge for the year | **7,853** | 19,141 |

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

| | **2023** HK$'000 | **2023** % | 2022 HK$'000 | 2022 % |
|---|---|---|---|---|
| Profit before tax | **31,392** | | 102,861 | |
| Tax at the statutory tax rate | **5,180** | **16.5** | 16,972 | 16.5 |
| Higher tax rates for other countries | **4,255** | **13.6** | 3,668 | 3.6 |
| Adjustments in respect of current tax of previous periods | **(1,252)** | **(4.0)** | 1,436 | 1.4 |
| Recognition of tax losses | **(815)** | **(2.6)** | (2,853) | (2.7) |
| Profit attributable to associates, net | **98** | **0.3** | (73) | (0.1) |
| Income not subject to tax | **(1,837)** | **(5.9)** | (2,132) | (2.1) |
| Expenses not deductible for tax | **2,631** | **8.4** | 5,683 | 5.5 |
| Tax losses not recognised | **217** | **0.7** | 1,022 | 1.0 |
| Tax losses utilised from previous periods | **(1,225)** | **(3.9)** | (4,177) | (4.1) |
| Other temporary differences | **601** | **1.9** | (405) | (0.4) |
| Tax charge at the Group's effective rate | **7,853** | **25.0** | 19,141 | 18.6 |

## 11. DIVIDENDS

### Dividend paid during the year

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Final dividend in respect of the financial year ended 31 March 2022 – HK$0.0475 per ordinary share (2022: final dividend of HK$0.0595 per ordinary share, in respect of the financial year ended 31 March 2021) | 40,021 | 49,965 |

### Proposed final dividend

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Final – HK$0.0210 (2022: HK$0.0475) per ordinary share | 17,693 | 40,021 |

The proposed final dividend for the year ended 31 March 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$22,504,000 (2022: HK$84,227,000) and the weighted average number of ordinary shares of 842,540,000 (2022: 841,581,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2023.

For the year ended 31 March 2022, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company of HK$84,227,000. The weighted average number of ordinary shares used in the calculation of 842,006,000 is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

A reconciliation between the weighted average number of ordinary shares used in calculating the basic earnings per share and that used in calculating the diluted earnings per share for the year ended 31 March 2022 is as follows:

| | 2022 |
|---|---|
| Weighted average number of ordinary shares used in calculating the basic earnings per share | 841,581,000 |
| Weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive options in issue during the year | 425,000 |
| Weighted average number of ordinary shares used in calculating the diluted earnings per share | 842,006,000 |

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Note | Buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Tools and machinery HK$'000 | Motor vehicles HK$'000 | Moulds and tooling HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **At 31 March 2023** | | | | | | | | |
| At 31 March 2022 and at 1 April 2022: | | | | | | | | |
| Cost | | 25,488 | 138,075 | 296,356 | 490,325 | 4,951 | 42,536 | 997,731 |
| Accumulated depreciation | | (1,115) | (97,296) | (202,666) | (289,614) | (4,847) | (40,180) | (635,718) |
| Net carrying amount | | 24,373 | 40,779 | 93,690 | 200,711 | 104 | 2,356 | 362,013 |
| At 1 April 2022, net of accumulated depreciation | | 24,373 | 40,779 | 93,690 | 200,711 | 104 | 2,356 | 362,013 |
| Additions | | 409 | 7,400 | 35,913 | 45,861 | 1,286 | 1,418 | 92,287 |
| Disposals and write-offs | | — | (178) | (74) | (707) | — | — | (959) |
| Depreciation provided during the year | 7 | (639) | (12,338) | (16,459) | (38,377) | (581) | (2,063) | (70,457) |
| Exchange realignment | | 70 | (782) | (7,361) | (12,283) | (4) | — | (20,360) |
| At 31 March 2023, net of accumulated depreciation | | 24,213 | 34,881 | 105,709 | 195,205 | 805 | 1,711 | 362,524 |
| At 31 March 2023: | | | | | | | | |
| Cost | | 25,970 | 133,398 | 314,685 | 475,556 | 6,117 | 43,954 | 999,680 |
| Accumulated depreciation | | (1,757) | (98,517) | (208,976) | (280,351) | (5,312) | (42,243) | (637,156) |
| Net carrying amount | | 24,213 | 34,881 | 105,709 | 195,205 | 806 | 1,711 | 362,524 |

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

| | *Notes* | Buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Tools and machinery HK$'000 | Motor vehicles HK$'000 | Moulds and tooling HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **At 31 March 2022** | | | | | | | | |
| At 1 April 2021: | | | | | | | | |
| Cost | | 25,310 | 127,180 | 249,070 | 477,407 | 4,932 | 42,314 | 926,213 |
| Accumulated depreciation | | (475) | (83,433) | (187,165) | (294,609) | (4,040) | (37,736) | (607,458) |
| Net carrying amount | | 24,835 | 43,747 | 61,905 | 182,798 | 892 | 4,578 | 318,755 |
| At 1 April 2021, net of accumulated depreciation | | 24,835 | 43,747 | 61,905 | 182,798 | 892 | 4,578 | 318,755 |
| Additions | | – | 8,242 | 42,022 | 50,211 | – | 221 | 100,696 |
| Acquisition of a subsidiary | *39* | – | 16 | 2,944 | 888 | – | – | 3,848 |
| Disposals and write-offs | | – | (5) | (139) | (5,071) | – | – | (5,215) |
| Depreciation provided during the year | *7* | (634) | (12,382) | (14,134) | (33,944) | (799) | (2,443) | (64,336) |
| Exchange realignment | | 172 | 1,161 | 1,092 | 5,829 | 11 | – | 8,265 |
| At 31 March 2022, net of accumulated depreciation | | 24,373 | 40,779 | 93,690 | 200,711 | 104 | 2,356 | 362,013 |
| At 31 March 2022: | | | | | | | | |
| Cost | | 25,488 | 138,075 | 296,356 | 490,325 | 4,951 | 42,536 | 997,731 |
| Accumulated depreciation | | (1,115) | (97,296) | (202,666) | (289,614) | (4,847) | (40,180) | (635,718) |
| Net carrying amount | | 24,373 | 40,779 | 93,690 | 200,711 | 104 | 2,356 | 362,013 |

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for various items of properties and computer software used in its operation. Lump sum payments were made upfront to acquire the leased land from the owner with lease periods of 51 years, and no ongoing payments are required under the terms of these land leases. Leases of properties generally have lease terms between 1 and 6 years, while computer software has lease term of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

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

| | **2023** | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Leasehold land HK$'000** | **Properties HK$'000** | **Computer software HK$'000** | **Total HK$'000** | Leasehold land HK$'000 | Properties HK$'000 | Computer software HK$'000 | Total HK$'000 |
| At beginning of the year | **16,750** | **83,165** | **6,229** | **106,144** | 16,973 | 66,168 | 6,501 | 89,642 |
| Additions | **–** | **85,633** | **–** | **85,633** | – | 61,632 | – | 61,632 |
| Acquisition of a subsidiary *(note 39)* | **–** | **–** | **–** | **–** | – | 961 | – | 961 |
| Termination of a lease | **–** | **(950)** | **–** | **(950)** | – | (943) | – | (943) |
| Depreciation charge | **(342)** | **(46,672)** | **(1,624)** | **(48,638)** | (340) | (43,119) | (1,390) | (44,849) |
| Lease modification | **–** | **(1,691)** | **–** | **(1,691)** | – | (3,045) | 1,118 | (1,927) |
| Exchange realignment | **47** | **(1,378)** | **–** | **(1,331)** | 117 | 1,511 | – | 1,628 |
| At end of the year | **16,455** | **118,107** | **4,605** | **139,167** | 16,750 | 83,165 | 6,229 | 106,144 |

## 14. LEASES (continued)

### The Group as a lessee (continued)

***(b) Lease liabilities***

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

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Carrying amount at beginning of the year | **94,842** | 76,557 |
| New leases | **85,582** | 61,632 |
| Acquisition of a subsidiary *(note 39)* | **–** | 978 |
| Termination of a lease | **(1,057)** | (997) |
| Accretion of interest recognised during the year | **3,299** | 2,915 |
| Payments | **(51,093)** | (45,976) |
| Lease modification | **(1,711)** | (1,927) |
| Exchange realignment | **(3,639)** | 1,660 |
| Carrying amount at end of the year | **126,223** | 94,842 |
| Analysed into: | | |
| Current portion | **48,125** | 46,450 |
| Non-current portion | **78,098** | 48,392 |

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

***(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 | **3,299** | 2,915 |
| Depreciation of right-of-use assets | **48,638** | 44,849 |
| Expenses relating to short-term leases | | |
| – included in administrative expenses | **2,728** | 1,103 |
| Loss/(gain) on termination of a lease contract | **107** | (54) |
| Gain on lease modification | **20** | – |
| Total amount recognised in profit or loss | **54,792** | 48,813 |

***(d)*** The total cash outflow for leases is disclosed in note 40(c) to the financial statements.

## 15. GOODWILL

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Cost at 1 April, net of accumulated impairment | **111,560** | 36,420 |
| Acquisition of a subsidiary *(note 39)* | **–** | 74,843 |
| Exchange realignment | **213** | 297 |
| Cost at 31 March, net of accumulated impairment | **111,773** | 111,560 |
| At 31 March: | | |
| Cost | **113,517** | 113,304 |
| Accumulated impairment | **(1,744)** | (1,744) |
| Net carrying amount | **111,773** | 111,560 |

### Impairment testing of goodwill

Included in the balance was mainly the goodwill acquired through business combination of Asia Electronics HK Technologies Limited and Asia Electronics Technologies (Dongguan) Co. Ltd. (collectively the "Asia Electronics Entity") and Braeburn, which have been regarded as two cash-generating units ("CGU") for impairment testing.

***Asia Electronics Entity CGU***

The recoverable amount of the Asia Electronics Entity CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 2% (2022: 2%). The discount rate applied to the cash flow projections is 13% (2022: 14%).

The carrying amount of goodwill allocated to the Asia Electronics Entity CGU was HK$34,136,000 (2022: HK$34,136,000) as at 31 March 2023.

Certain key assumptions were used in the value-in-use calculation of the Asia Electronics Entity CGU for 31 March 2023. Management determined the value assigned to the budgeted gross margins based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements. Changes in revenue and costs are based on management experience and expectations of future changes in the market. The discount rate used is a pre-tax rate and reflects specific risks relating to the relevant unit.

## 15. GOODWILL (continued)

### Impairment testing of goodwill (continued)

***Braeburn CGU***

Goodwill of US$9,599,000 (equivalent to HK$74,843,000) arose from the acquisition of an additional 62.9998% equity interest in Braeburn as disclosed in note 39 to the consolidated financial statements. Braeburn is engaged in the distribution and trading of electronic control products.

As at 31 March 2023, the recoverable amount of the Braeburn CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 3% (2022: 2%). The discount rate applied to the cash flow projections is 12% (2022: 14%).

The carrying amount of goodwill allocated to the Braeburn CGU was US$9,599,000 (equivalent to HK$75,353,000) (2022: US$9,599,000 equivalent to HK$75,140,000) as at 31 March 2023.

Certain key assumptions were used in the value-in-use calculation of the Braeburn CGU for 31 March 2023. Management determined the value assigned to the budgeted gross margins based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements. Changes in revenue and costs are based on management experience and expectations of future changes in the market. The discount rate used is a pre-tax rate and reflects specific risks relating to the relevant unit.

## 16. INTANGIBLE ASSETS

| | Note | Deferred expenditure HK$'000 | Brand name HK$'000 | Customer relationships HK$'000 | Patent HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **31 March 2023** | | | | | | |
| At beginning of the year: | | | | | | |
| Cost | | 678,436 | 22,371 | 1,291 | 2,691 | 704,789 |
| Accumulated amortisation | | (473,503) | – | (40) | (123) | (473,666) |
| Net carrying amount | | 204,933 | 22,371 | 1,251 | 2,568 | 231,123 |
| At beginning of the year, net of accumulated amortisation | | 204,933 | 22,371 | 1,251 | 2,568 | 231,123 |
| Additions | | 72,478 | – | – | 847 | 73,325 |
| Amortisation provided during the year | *7* | (40,808) | – | (162) | (525) | (41,495) |
| Write-off during the year | *7* | (798) | – | – | – | (798) |
| Exchange realignment | | – | 63 | 3 | 3 | 69 |
| At end of the year, net of accumulated amortisation | | 235,805 | 22,434 | 1,092 | 2,893 | 262,224 |
| At 31 March: | | | | | | |
| Cost | | 750,116 | 22,434 | 1,295 | 3,547 | 777,392 |
| Accumulated amortisation | | (514,311) | – | (203) | (654) | (515,168) |
| Net carrying amount | | 235,805 | 22,434 | 1,092 | 2,893 | 262,224 |

## 16. INTANGIBLE ASSETS (continued)

| | *Notes* | Deferred expenditure HK$'000 | Brand name HK$'000 | Customer relationships HK$'000 | Patent HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **31 March 2022** | | | | | | |
| At beginning of the year: | | | | | | |
| Cost | | 612,630 | – | – | – | 612,630 |
| Accumulated amortisation | | (434,771) | – | – | – | (434,771) |
| Net carrying amount | | 177,859 | – | – | – | 177,859 |
| At beginning of the year, net of accumulated amortisation | | 177,859 | – | – | – | 177,859 |
| Acquisition of a subsidiary | *39* | – | 22,283 | 1,286 | 2,680 | 26,249 |
| Additions | | 66,171 | – | – | – | 66,171 |
| Amortisation provided during the year | *7* | (38,732) | – | (40) | (122) | (38,894) |
| Write-off during the year | *7* | (365) | – | – | – | (365) |
| Exchange realignment | | – | 88 | 5 | 10 | 103 |
| At end of the year, net of accumulated amortisation | | 204,933 | 22,371 | 1,251 | 2,568 | 231,123 |
| At 31 March: | | | | | | |
| Cost | | 678,436 | 22,371 | 1,291 | 2,691 | 704,789 |
| Accumulated amortisation | | (473,503) | – | (40) | (123) | (473,666) |
| Net carrying amount | | 204,933 | 22,371 | 1,251 | 2,568 | 231,123 |

## 17. INTERESTS IN ASSOCIATES

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Share of net assets | **1,485** | 2,079 |

The trade receivable and other payable balances with the associates are disclosed in note 25 to the financial statements, respectively.

Particulars of the associates as at 31 March 2022 and 31 March 2023 are as follows:

| Name | Particulars of issued shares held | Place of incorporation | Percentage of ownership interest attributable to the Group | Principal activities |
|---|---|---|---|---|
| CCN Technologies Limited *(note (a))* | Ordinary shares | Hong Kong | 35% (2022: 35%) | Engaging in services in internet of things in robotics |
| UleEco Limited *(note (b))* | Ordinary shares | Hong Kong | 30% (2022: Nil) | Provision of consulting service on sales, management information system and management |

*Notes:*

*(a) On 7 February 2022, the Group entered into an shareholders agreement with other investors to establish an associate, CCN Technologies Limited. Certain authorised capital of the associate is HK$6,000,000 which was remained unpaid. The unpaid capital was included in "Other payables and accrued liabilities" as disclosed in note 25 to the financial statements.*

*(b) On 3 October 2022, the Group entered into an shareholders agreement with other investors to establish an associate, UleEco Limited.*

## 17. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the associates:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Share of the associates' (loss)/profit for the year | **(594)** | 442 |
| Share of the associates' total comprehensive (expense)/income | **(594)** | 442 |
| Aggregate carrying amount of the interests in the associates | **1,485** | 2,079 |

## 18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Equity investment, at fair value | | |
| Glen Canyon Corporation | **–** | – |

The above investment represents the investment in unlisted equity securities which was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature. The investee company was engaged in the development of energy saving products and solutions. In the opinion of the directors, the fair value of the investment was minimal with reference to the fair value of the underlying assets and liabilities held by the investee company.

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Unlisted investments, at fair value | **9,493** | 9,359 |

The above unlisted investments represent the equity securities of HK$4,344,000 (2022: HK$5,834,000) and put option of HK$5,149,000 (2022: HK$3,525,000) which were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The investee companies were engaged in the engineering, design and manufacture of electronic products and household appliances, and the trading and rental of robots.

## 20. INVENTORIES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Raw materials | **531,373** | 546,606 |
| Work in progress | **81,738** | 145,624 |
| Finished goods | **356,359** | 243,654 |
| | **969,470** | 935,884 |

## 21. TRADE RECEIVABLES

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Trade receivables | **560,329** | 502,081 |
| Impairment | **(5,093)** | (2,930) |
| | **555,236** | 499,151 |

As at 31 March 2023, gross trade receivables of certain customers of HK$162,221,000 (2022: HK$263,148,000), which are designated in trade receivable factoring arrangements entered into between the Group and banks, were measured at fair value through other comprehensive income as these trade receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at 31 March 2023, the balance included HK$9,347,000 due from a joint venture with a normal credit period of 2 months, arose from normal trading activities (note 34(a)).

The Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one to five months (2022: one to five months). The Group maintains strict credit control over its customers and outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, 12.0% (2022: 36.2%) and 59.2% (2022: 56.6%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 21. TRADE RECEIVABLES (continued)

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

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Within 1 month | 316,229 | 308,518 |
| 1 to 2 months | 168,266 | 87,010 |
| 2 to 3 months | 22,131 | 70,301 |
| Over 3 months | 48,610 | 33,322 |
| | 555,236 | 499,151 |

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

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Current and due within 1 month | 517,407 | 486,385 |
| 1 to 2 months | 18,826 | 2,355 |
| 2 to 3 months | 5,678 | 2,358 |
| Over 3 months | 13,325 | 8,053 |
| | 555,236 | 499,151 |

As part of its normal business, the Group entered into trade receivable factoring arrangements (the "Arrangements"), pursuant to which the Group assigned the rights to certain trade receivables to certain banks. The Group is not exposed to default risks of the trade debtors after the assignment. The Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. Trade receivables as if without the Arrangements as at 31 March 2023 amounted to HK$946,473,000 (as at 31 March 2022: HK$1,071,824,000).

## 21. TRADE RECEIVABLES (continued)

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

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| At beginning of year | **2,930** | 85,397 |
| Impairment of trade receivables, net *(note 7)* | **2,275** | 1,071 |
| Amount written off as uncollectible | **–** | (79,834) |
| Exchange realignment | **(112)** | (3,704) |
| At end of year | **5,093** | 2,930 |

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

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

**As at 31 March 2023**

| | | **Past due** | | | |
|---|---|---|---|---|---|
| | **Current** | **Less than 1 month** | **1 to 3 months** | **Over 3 months** | **Total** |
| Expected credit loss rate | **0.05%** | **0.00%** | **0.69%** | **26.0%** | **0.90%** |
| Gross carrying amount (HK$'000) | **469,114** | **48,537** | **24,674** | **18,004** | **560,329** |
| Expected credit losses (HK$'000) | **244** | **–** | **170** | **4,679** | **5,093** |

As at 31 March 2022

| | | Past due | | | |
|---|---|---|---|---|---|
| | Current | Less than 1 month | 1 to 3 months | Over 3 months | Total |
| Expected credit loss rate | 0.19% | 0.07% | 0.76% | 19.89% | 0.58% |
| Gross carrying amount (HK$'000) | 464,293 | 22,987 | 4,749 | 10,052 | 502,081 |
| Expected credit losses (HK$'000) | 880 | 15 | 36 | 1,999 | 2,930 |

## 21. TRADE RECEIVABLES (continued)

During the year ended 31 March 2022, the individually impaired trade receivables of HK$79,834,000 mainly relate to balances that were in dispute, or in the status of insolvency and reorganisation proceedings for Fagor Electrodomesticos Sociedad Cooperativa, FagorBrandt SAS, and Fagor Mastercook S.A. was written off in view of the recoverability of the balance being remote.

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The financial assets included in the balances related to receivables for which there was no recent history of default and past due amounts. As at 31 March 2023 and 2022, the loss allowance was assessed to be minimal.

## 23. CASH AND BANK BALANCES

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Cash and bank balances | **253,733** | 301,758 |
| Restricted bank deposits | **54,037** | 45,969 |
| | **307,770** | 347,727 |

At the end of the reporting period, the cash and bank balances denominated in Renminbi ("RMB") amounted to HK$80,322,000 (2022: HK$132,682,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months (2022: 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 are deposited with creditworthy banks with no recent history of default.

As at 31 March 2023 and 2022, restricted bank deposits mainly included deposits for issuance of bank acceptance notes with a bank.

## 24. TRADE AND BILLS PAYABLES

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

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Within 1 month | **241,141** | 138,958 |
| 1 to 2 months | **190,921** | 172,593 |
| 2 to 3 months | **151,216** | 193,458 |
| Over 3 months | **429,108** | 302,011 |
| | **1,012,386** | 807,020 |

An ageing analysis of trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Current and due within 1 month | **677,916** | 603,024 |
| 1 to 2 months | **89,975** | 81,896 |
| 2 to 3 months | **58,175** | 25,758 |
| Over 3 months | **186,320** | 96,342 |
| | **1,012,386** | 807,020 |

The trade payables are non-interest-bearing and generally have payment terms ranging from one to six months (2022: one to six months).

## 25. OTHER PAYABLES AND ACCRUED LIABILITIES

Included in other payables is an amount due to an associate of nil (2022: HK$1,833,000), which is non-interest-bearing and repayable on demand.

Other payables and accrued liabilities are non-interest-bearing and have payment terms ranging from one to three months (2022: one to three months) except for the amount due to an associate.

## 26. CONTRACT LIABILITIES

| | **31 March 2023 HK$'000** | 31 March 2022 HK$'000 | 1 April 2021 HK$'000 |
|---|---|---|---|
| Receipts in advance from customers | **36,162** | 14,148 | 7,254 |

Contract liabilities include short-term advances received to deliver products. The increase in contract liabilities in 2023 and 2022 was mainly due to the increase in short-term advances received from customers in relation to the delivery of products at the end of the years.

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Contract amount HK$'000** | **Liabilities HK$'000** | Contract amount HK$'000 | Liabilities HK$'000 |
| Forward currency contracts | **–** | **–** | 120,322 | 216 |

As at 31 March 2023 and 2022, the forward currency contracts were not designated for hedge accounting and were measured at fair value through profit or loss. Changes in realised gains on non-hedging forward currency contracts totaling HK$4,497,000 (2022: HK$6,768,000) were credited to the statement of profit or loss during the year.

## 28. INTEREST-BEARING BANK BORROWINGS

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate p.a. (%) | Maturity | HK$'000 | Effective interest rate p.a. (%) | Maturity | HK$'000 |
| **Current** | | | | | | |
| Bank import loans – unsecured | 5.59% | 2023 or on demand | 65,716 | 1.6 | 2022 or on demand | 103,737 |
| Bank revolving loans – unsecured | – | – | – | 1.0 | 2022 or on demand | 34,726 |
| Bank term loans – unsecured | 6.27% | 2023 - 2026 or on demand | 157,794 | 1.6 | 2023-2025 or on demand | 147,460 |
| | | | 223,510 | | | 285,923 |

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| **Analysed into:** | | |
| Bank loans repayable: | | |
| Within one year or on demand | 223,510 | 285,923 |

Other interest rate information:

| | Floating rate | |
|---|---|---|
| | 2023 HK$'000 | 2022 HK$'000 |
| Bank loans – unsecured | 223,510 | 285,923 |

As at 31 March 2023, all other borrowings were denominated in United States dollars (2022: except for unsecured bank loans of approximately HK$34,726,000 denominated in EUR and approximately HK$6,003,000 denominated in HK$).

At 31 March 2023 and 2022, the interest-bearing bank borrowings were secured by corporate guarantees executed by the Company and certain of its wholly-owned subsidiaries.

## 29. DEFERRED TAX

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

### Deferred tax liabilities/(assets)

| | Deferred tax liabilities/(assets) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Inventory** HK$'000 | **Unutilised tax losses** HK$'000 | **Unrealised profit** HK$'000 | **Credit losses** HK$'000 | **Lease liabilities** HK$'000 | **Right-of-use assets** HK$'000 | **Depreciation in excess of related depreciation allowance** HK$'000 | **Depreciation allowance in excess of related depreciation** HK$'000 | **Deferred expenditure** HK$'000 | **Fair value adjustments arising from acquisition of a subsidiary** HK$'000 | **Net deferred tax liabilities** HK$'000 |
| At 1 April 2021 | (3,174) | (9,252) | – | (392) | (12,539) | 11,767 | (497) | – | 28,643 | – | 14,556 |
| Acquisition of a subsidiary *(note 39)* | – | – | – | – | – | – | – | – | – | 7,217 | 7,217 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)* | (815) | 1,585 | – | (242) | (5,746) | 5,584 | (378) | 132 | 4,727 | (911) | 3,936 |
| Exchange realignment | (134) | 61 | – | – | (684) | 648 | – | – | – | 25 | (84) |
| At 31 March 2022 and 1 April 2022 | (4,123) | (7,606) | – | (634) | (18,969) | 17,999 | (875) | 132 | 33,370 | 6,331 | 25,625 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)* | (463) | (7,808) | (1,710) | 153 | (10,444) | 10,873 | (195) | 1,106 | 3,750 | (457) | (5,195) |
| Exchange realignment | 297 | 45 | – | – | 872 | (822) | – | 2 | – | 23 | 417 |
| At 31 March 2023 | (4,289) | (15,369) | (1,710) | (481) | (28,541) | 28,050 | (1,070) | 1,240 | 37,120 | 5,897 | 20,847 |

## 29. DEFERRED TAX (continued)

Represented as:

| | 2023<br>HK$'000 | 2022<br>HK$'000 |
|---|---|---|
| Deferred tax assets | **(23,411)** | (14,208) |
| Deferred tax liabilities | **44,258** | 39,833 |

At 31 March 2023, the Group had unutilised tax losses arising in Hong Kong and overseas of HK$50,279,000 (2022: HK$13,084,000) and HK$26,676,000 (2022: HK$21,333,000), respectively. Deferred tax assets have been recognised in respect of these losses.

At 31 March 2023, the Group had unrecognised tax losses arising in Hong Kong of HK$943,000 (2022: HK$1,090,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had unrecognised tax losses arising in Mainland China and overseas countries of HK$24,443,000 (2022: HK$26,294,000) and nil (2022: HK$35,167,000), respectively, that will expire in seven to ten years for offsetting against future profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

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

At 31 March 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences on undistributed profit of the subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$329,014,000 at 31 March 2023 (2022: HK$295,288,000).

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

## 30. ISSUED CAPITAL

### Shares

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Authorised: | | |
| 5,000,000,000 (2022: 5,000,000,000) ordinary shares of HK$0.10 each | **500,000** | 500,000 |
| Issued and fully paid: | | |
| 842,540,000 (2022: 842,540,000) ordinary shares of HK$0.10 each | **84,254** | 84,254 |

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

| | Number of shares in issue | Share capital HK$'000 | Share premium account HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2021 | 839,740,000 | 83,974 | 394,934 | 478,908 |
| Issue of shares upon exercise of share options | 2,800,000 | 280 | 1,208 | 1,488 |
| At 31 March 2022, 1 April 2022 and 31 March 2023 | 842,540,000 | 84,254 | 396,142 | 480,396 |

### Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

## 31. SHARE OPTION SCHEMES

The purpose of the share option schemes of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the share option schemes of the Company include Directors (including Executive, Non-executive and Independent Non-executive Directors) and employees of the Group, any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group.

The share option scheme adopted by the Company on 15 September 2006 (the "2006 Share Option Scheme") expired on 14 September 2016. Unless otherwise cancelled or lapsed in accordance with the 2006 Scheme, the outstanding share options granted under the 2006 Share Option Scheme would remain exercisable. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 14 September 2016, the Company adopted 2016 Share Option Scheme which, unless otherwise cancelled or terminated, would remain in force for 10 years from that date.

## 31. SHARE OPTION SCHEMES (continued)

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2006 Share Option Scheme and the 2016 Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The maximum number of shares issued and to be issued under share options to each eligible participant under the 2006 Share Option Scheme and 2016 Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. 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, the Chief Executive Officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors of the Company. In addition, any grant of share options 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 and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting.

As at the date of this report, the total number of shares available for issue under the 2016 Share Option Scheme was 83,642,000, representing approximately 9.93% of the shares of the Company in issue as at that date. Since the 2006 Share Option Scheme expired on 14 September 2016, no further share option could be issued under the 2006 Share Option Scheme thereafter.

The offer of a grant of share options may be accepted within 28 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 may commence from the date of 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 Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

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

The Group did not recognise net reversal of share option expenses (2022: HK$261,000) during the year ended 31 March 2023.

## 31. SHARE OPTION SCHEMES (continued)

The following share options were outstanding during the year:

| **2006 Share Option Scheme** | **Weighted average exercise price** HK$ per share | **Number of options** |
|---|---|---|
| At 1 April 2021 | 0.892 | 18,800,000 |
| Exercised during the year | 0.375 | (2,800,000) |
| Lapsed/forfeited during the year | 0.790 | (8,000,000) |
| At 31 March 2022 and 1 April 2022 | 1.175 | 8,000,000 |
| Lapsed/forfeited during the year | 1.175 | (8,000,000) |
| At 31 March 2023 | – | – |

| **2016 Share Option Scheme** | **Weighted average exercise price** HK$ per share | **Number of options** |
|---|---|---|
| At 1 April 2021, 31 March 2022 and 1 April 2022 | 0.576 | 6,000,000 |
| Lapsed/forfeited during the year | 0.576 | (6,000,000) |
| At 31 March 2023 | – | – |

## 31. SHARE OPTION SCHEMES (continued)

Details and movements of the share options of the Company granted under the 2006 Share Option Scheme during the year ended 31 March 2023 are as follows:

| Category of participants | As at 1 April 2022 | Exercised during the year *(Note 2)* | Lapsed/ forfeited during the year *(Note 1)* | As at 31 March 2023 | Date of grant of share options *(Note 3)* | Exercise period of share options | Date of share options vested/to be vested | Exercise price per share HK$ | The price of the Company's shares at the grant date HK$ |
|---|---|---|---|---|---|---|---|---|---|
| **Other eligible participant** | 1,600,000 | – | (1,600,000) | – | 28 April 2016 | From 28 April 2017 to 27 April 2026 | 28 April 2017 | 1.174 | 1.13 |
| | 1,600,000 | – | (1,600,000) | – | 28 April 2016 | From 28 April 2018 to 27 April 2026 | 28 April 2018 | 1.174 | 1.13 |
| | 1,600,000 | – | (1,600,000) | – | 28 April 2016 | From 28 April 2019 to 27 April 2026 | 28 April 2019 | 1.174 | 1.13 |
| | 1,600,000 | – | (1,600,000) | – | 28 April 2016 | From 28 April 2020 to 27 April 2026 | 28 April 2020 | 1.174 | 1.13 |
| | 1,600,000 | – | (1,600,000) | – | 28 April 2016 | From 28 April 2021 to 27 April 2026 | 3 September 2020 | 1.174 | 1.13 |
| Total | 8,000,000 | – | (8,000,000) | – | | | | | |

*Notes:*

1. *8,000,000 (2022: 8,000,000) share options granted under the 2006 Share Option Scheme have lapsed or were forfeited during the year ended 31 March 2023. The corresponding amount of HK$5,926,000 (2022: HK$2,899,000) in share option reserve for the share options granted and vested in prior years but not yet exercised had been transferred from share option reserve to retained profits in 31 March 2023.*

2. *No (2022: 2,800,000) share options granted under the 2006 Share Option Scheme have been exercised during the year ended 31 March 2023. No (2022: no) share options granted under the 2006 Share Option Scheme have been cancelled during the year ended 31 March 2023.*

3. *The vesting period of the share options granted under the 2006 Share Option Scheme is from the date of grant to the commencement of the exercise period.*

## 31. SHARE OPTION SCHEMES (continued)

Details and movements of the share options of the Company granted under the 2016 Share Option Scheme during the year ended 31 March 2023 are as follows:

| Category of participants | As at 1 April 2022 | Granted during the year | Lapsed/ forfeited during the year *(Note 1)* | As at 31 March 2023 | Date of grant of share options | Exercise period of share options | Date of share options vested/to be vested | Exercise price per share HK$ | The price of the Company's shares at the grant date HK$ |
|---|---|---|---|---|---|---|---|---|---|
| **Other eligible participant** | 200,000 | – | (200,000) | – | 28 April 2017 | From 28 April 2020 to 27 April 2027 | 28 April 2020 | 1.04 | 1.04 |
| | 200,000 | – | (200,000) | – | 28 April 2017 | From 28 April 2021 to 27 April 2027 | 3 September 2020 | 1.04 | 1.04 |
| | 1,600,000 | – | (1,600,000) | – | 28 April 2017 | From 28 April 2022 to 27 April 2027 | 3 September 2020 | 1.04 | 1.04 |
| | 2,000,000 | – | (2,000,000) | – | | | | | |
| **Director** | | | | | | | | | |
| Mr. Bernard AUYANG | 4,000,000 | – | (4,000,000) *(Note 2)* | – | 1 April 2020 | From 1 July 2022 to 30 June 2030 | 1 July 2022 | 0.345 | 0.345 |
| | 4,000,000 | – | (4,000,000) | – | | | | | |
| Total | 6,000,000 | – | (6,000,000) | – | | | | | |

*Notes:*

1. *No (2022: no) share options granted under the 2016 Share Option Scheme have been exercised or cancelled or have lapsed during the year ended 31 March 2023.*

2. *During the year ended 31 March 2022, in the opinion of directors, 4,000,000 share options granted to a director as at 31 March 2022 under the 2016 Share Option Scheme were expected to lapse or be forfeited due to the failure to satisfy the vesting condition. Accordingly, the corresponding share option expense of HK$261,000 for the share options granted in prior years but not yet vested had been reversed and credited to profit or loss. 4,000,000 share options under the 2016 Share Option Scheme granted on 1 April 2020 will be lapsed or be forfeited upon the approval of the audited financial statements as at 31 March 2022 by the board of directors on 30 June 2022.*

## 31. SHARE OPTION SCHEMES (continued)

At the end of the reporting period, the Company did not have share options outstanding (2022: 8,000,000 and 6,000,000 under the 2006 Share Option Scheme and the 2016 Share Option Scheme, respectively, which in aggregate represented approximately 1.66% of the Company's shares) under the 2006 Share Option Scheme and the 2016 Share Option Scheme, respectively.

## 32. RESERVES

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

The Group's contributed surplus represents (i) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation of certain subsidiaries of the Group which took place in a prior year over the nominal value of CIL's shares issued in exchange therefor; and (ii) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

## 33. COMMITMENTS

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

| | **2023**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Leasehold improvements | **3,314** | 9,313 |
| Plant and machinery | **7,239** | 14,874 |
| Computer software | **12,917** | 9,108 |
| | **23,470** | 33,295 |

In addition, the Group had a capital contribution commitment, contracted but not provided for, provided to a joint venture of HK$11,423,000 as at 31 March 2023.

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

## 34. MATERIAL RELATED PARTY TRANSACTIONS

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

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Sales of finished goods to: | | |
| – An associate | **–** | 35,138 |
| – A joint venture | **8,172** | – |
| – A related party of which a director of the Company is an executive director and shareholder | **–** | 539 |
| Service fee income from associates | **3,260** | 60 |
| Recharge of salary to an associate | **467** | – |

The sales were made with reference to the prices and conditions offered to the major customers of the Group.

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

| | **2023 HK$'000** | 2022 HK$'000 |
|---|---|---|
| Short term employee benefits | **27,654** | 36,090 |
| Post-employment benefits | **180** | 154 |
| Reversal of equity-settled share option expenses, net | **–** | (261) |
| | **27,834** | 35,983 |

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

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

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

### Financial assets

| | Financial assets at amortised cost HK$'000 | Financial assets at fair value through other comprehensive income: Debt investments HK$'000 | Financial assets at fair value through other comprehensive income: Equity investment HK$'000 | Financial asset at fair value through profit or loss HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Financial asset at fair value through other comprehensive income | – | – | – | – | – |
| Financial assets at fair value through profit or loss | – | – | – | **9,493** | **9,493** |
| Trade receivables | **393,015** | **162,221** | – | – | **555,236** |
| Financial assets included in prepayments, deposits and other receivables | **131,905** | – | – | – | **131,905** |
| Cash and bank balances | **307,770** | – | – | – | **307,770** |
| | **832,690** | **162,221** | – | **9,493** | **1,004,404** |
| 2022 | | | | | |
| Financial asset at fair value through other comprehensive income | – | – | – | – | – |
| Financial assets at fair value through profit or loss | – | – | – | 9,359 | 9,359 |
| Trade receivables | 236,003 | 263,148 | – | – | 499,151 |
| Financial assets included in prepayments, deposits and other receivables | 110,985 | – | – | – | 110,985 |
| Cash and bank balances | 347,727 | – | – | – | 347,727 |
| | 694,715 | 263,148 | – | 9,359 | 967,222 |

## 35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Financial assets that are derecognised in their entirety

As part of its normal business, the Group entered into trade receivable factoring arrangements (the "Arrangements"), pursuant to which the Group assigned the rights to certain trade receivables to certain banks. The Group is not exposed to default risks of the trade debtors after the assignment. The Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables assigned under the Arrangements that have not been settled as at 31 March 2023 was HK$386,143,000 (2022: HK$572,673,000).

### Financial liabilities

| | Financial liabilities at amortised cost HK$'000 | Financial liabilities at fair value through profit or loss – held for trading HK$'000 | Total HK$'000 |
|---|---|---|---|
| **2023** | | | |
| Trade and bills payables | **1,012,386** | **–** | **1,012,386** |
| Financial liabilities included in other payables and accrued liabilities | **82,642** | **–** | **82,642** |
| Interest-bearing bank borrowings | **223,510** | **–** | **223,510** |
| Lease liabilities | **126,223** | **–** | **126,223** |
| | **1,444,761** | **–** | **1,444,761** |
| 2022 | | | |
| Trade and bills payables | 807,020 | – | 807,020 |
| Financial liabilities included in other payables and accrued liabilities | 85,405 | – | 85,405 |
| Derivative financial instruments | – | 216 | 216 |
| Interest-bearing bank borrowings | 285,923 | – | 285,923 |
| Lease liabilities | 94,842 | – | 94,842 |
| | 1,273,190 | 216 | 1,273,406 |

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

Management has assessed that the fair values of cash and bank balances, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accrued liabilities and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments. The valuations of the Group's financial asset at fair value through other comprehensive income in level 3 as at 31 March 2023 and 31 March 2022 were conducted with reference to the carrying value of the net asset value of the investment based on the cost approach by management.

The fair values of unlisted equity investments which were classified as financial assets at fair value through profit or loss in level 3 as at 31 March 2023 have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value-to-earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple, enterprise value to sales ("EV/S") ratio, and discount for lack of marketability, for each comparable company identified. The multiple is calculated by dividing the enterprise value or market value of invested capital of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The put option included in the financial asset at fair value through profit or loss in level 3 as at 31 March 2023 has been estimated using a binomial lattice model. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

During the years ended 31 March 2023 and 31 March 2022, the Group entered into derivative financial instruments with various counterparties, principally 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 and foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 March 2023 and 31 March 2022, the derivative financial instruments and trade receivables designated at debt investments at fair value through other comprehensive income were classified under fair value measurement using significant observable inputs within level 2. The valuations of the Group's trade receivables designated at debt investments at fair value through other comprehensive income as at 31 March 2023 and 31 March 2022 were determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2023 and 2022:

| | Valuation technique | Significant unobservable inputs | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Unlisted equity investments | Market approach | EV/EBITDA multiple | 0.88 to 7.98 (2022: 0.66 to 6.55) | 5% (2022: 5%) increase/decrease in EV/EBITDA multiple would result in increase/decrease in fair value of HK$157,000 to HK$158,000 (2022: HK$269,000) |
| | | EV/S ratio | 1.53 to 4.27 (2022: 1.74 to 10.23) | 5% (2022: 5%) increase/ decrease in EV/S ratio would result in increase/decrease in fair value of HK$92,000 to HK$93,000 (2022: HK$79,000) |
| | | Discount for lack of marketability | 18.0% to 47.4% (2022: 12.0% to 47.3%) | 5% (2022: 5%) increase/decrease in discount for lack of marketability would result in decrease/increase in fair value of HK$156,000 to HK$170,000 (2022: HK$138,000 to HK$249,000) |
| Put option included in unlisted investments | Binomial lattice model | Volatility | 44.6% to 49.3% (2022: 50.5% to 55.8%) | 5% (2022: 5%) increase/ decrease in volatility would result in decrease/increase in fair value of Nil (2022: HK$31,000) |

## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The movements in fair value measurements in Level 3 during the year are as follows:

| | Put option<br>HK$'000 | Equity investments<br>HK$'000 |
|---|---|---|
| Unlisted investments designated at fair value through profit or loss: | | |
| At 1 April 2021 | – | 8,386 |
| Purchases | – | 1,250 |
| Total gains/(losses) recognised in the consolidated statement of profit or loss included in other operating income, net | 3,525 | (3,802) |
| At 31 March 2022 and 1 April 2022 | 3,525 | 5,834 |
| Total gains/(losses) recognised in the consolidated statement of profit or loss included in other operating income, net | 1,624 | (1,490) |
| At 31 March 2023 | 5,149 | 4,344 |

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).

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and bank balances and time 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, financial assets included in prepayments, deposits and other receivables, trade and bills payables, and financial liabilities included in other payables and accrued liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Management meets periodically to analyse and formulate measures to manage the Group's exposure to financial risks. Generally, the Group employs a conservative strategy regarding its risk management.

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

### (i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and debt obligations with floating interest rates.

The interest rates and the terms of repayment of the Group's bank deposits and interest-bearing bank borrowings are disclosed in notes 23 and 28, respectively. The Group did not use any derivative instruments to hedge against its exposure to interest rate risk.

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

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit before tax HK$'000 | Increase/ (decrease) in equity HK$'000 |
|---|---|---|---|
| **2023** | | | |
| Bank deposits | **100** | **3,077** | **2,308** |
| Bank borrowings | **100** | **(2,235)** | **(1,676)** |
| Bank deposits | **(100)** | **(3,077)** | **(2,308)** |
| Bank borrowings | **(100)** | **2,235** | **1,676** |
| 2022 | | | |
| Bank deposits | 100 | 3,477 | 3,014 |
| Bank borrowings | 100 | (2,859) | (2,387) |
| Bank deposits | (100) | (3,477) | (3,014) |
| Bank borrowings | (100) | 2,859 | 2,387 |

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

### (ii) Interest rate benchmark reform

As at 31 March 2023, the Group had certain interest-bearing bank borrowings denominated in United States dollars. Replacement of the benchmark rates of these instruments from LIBOR to an RFR caused renegotiations of terms during the year and the Group is exposed to the following risks:

— Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract

— Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)

— The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transit to an alternative benchmark rate is as follows:

**As at 31 March 2023**

| | **Non-derivative financial liabilities carrying value HK$'000** |
|---|---|
| Interest-bearing bank and other borrowings<br>– United States dollar RFR | **223,493** |

As at 31 March 2022

| | Non-derivative financial liabilities carrying value HK$'000 |
|---|---|
| Interest-bearing bank and other borrowings<br>– United States dollar LIBOR | 245,194 |

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

### (iii) Foreign currency risk

The Group's exposure to the risk of changes in market currency rates relates primarily to the Group's sales and purchases which are mainly denominated in United States dollars and, to a lesser extent, Euro zone currencies. Certain production and operating overheads of the Group's production facilities in Mainland China are denominated in RMB. Due to the fact that the Hong Kong dollar is pegged to the United States dollar, the Group's exposure to foreign currency risk regarding the United States dollar is low. During the year, the Group managed foreign currency risk arising from certain transactions of RMB, EUR and GBP by the use of forward currency contracts.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of RMB, EUR and GBP against HK$, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities, including trade and other receivables, cash and bank balances and trade and other payables).

| | **Increase/ (decrease) exchange rate against HK$** | **Increase/ (decrease) in profit before tax** | **Increase/ (decrease) in equity** |
|---|---|---|---|
| | % | HK$'000 | HK$'000 |
| **2023** | | | |
| If the Hong Kong dollar weakens against RMB | **5** | **(78,615)** | **(78,615)** |
| If the Hong Kong dollar weakens against EUR | **5** | **6,259** | **6,259** |
| If the Hong Kong dollar weakens against GBP | **5** | **7,383** | **7,383** |
| If the Hong Kong dollar strengthens against RMB | **(5)** | **78,615** | **78,615** |
| If the Hong Kong dollar strengthens against EUR | **(5)** | **(6,259)** | **(6,259)** |
| If the Hong Kong dollar strengthens against GBP | **(5)** | **(7,383)** | **(7,383)** |
| 2022 | | | |
| If the Hong Kong dollar weakens against RMB | 5 | (78,625) | (78,625) |
| If the Hong Kong dollar weakens against EUR | 5 | 8,140 | 8,801 |
| If the Hong Kong dollar weakens against GBP | 5 | 7,513 | 7,513 |
| If the Hong Kong dollar strengthens against RMB | (5) | 78,625 | 78,625 |
| If the Hong Kong dollar strengthens against EUR | (5) | (8,140) | (8,801) |
| If the Hong Kong dollar strengthens against GBP | (5) | (7,513) | (7,513) |

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

### (iv) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Outstanding receivable balances are monitored on an ongoing basis. In addition, the Group had no significant historical bad debt records in prior years. Accordingly, the Group's exposure to credit risk is not significant. In addition, certain trade receivables were covered by credit insurance purchased by the Group.

***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 March. The amounts presented are gross carrying amounts for financial assets.

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 HK$'000 | Stage 2 HK$'000 | Stage 3 HK$'000 | Simplified approach HK$'000 | Total HK$'000 |
| **As at 31 March 2023** | | | | | |
| Debt investments at fair value through other comprehensive income – Trade receivables* | – | – | – | 162,221 | 162,221 |
| Trade receivables* | – | – | – | 398,108 | 398,108 |
| Financial assets included in prepayments, deposits and other receivables – Normal** | 131,905 | – | – | – | 131,905 |
| Cash and bank balances – Not yet past due | 307,770 | – | – | – | 307,770 |
| | 439,675 | – | – | 560,329 | 1,000,004 |

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

### (iv) Credit risk (continued)

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

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| As at 31 March 2022 | | | | | |
| Debt investments at fair value through other comprehensive income | | | | | |
| – Trade receivables* | – | – | – | 263,148 | 263,148 |
| Trade receivables* | – | – | – | 238,933 | 238,933 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| – Normal** | 110,985 | – | – | – | 110,985 |
| Cash and bank balances | | | | | |
| – Not yet past due | 347,727 | – | – | – | 347,727 |
| | 458,712 | – | – | 502,081 | 960,793 |

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 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.*

Since the Group trades only with creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

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

### (v) Liquidity risk

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

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**

| | Within one year/ on demand HK$'000 | One to five years HK$'000 | Total HK$'000 |
|---|---|---|---|
| Trade and bills payables | 1,018,995 | – | 1,018,995 |
| Financial liabilities included in other payables and accrued liabilities | 82,642 | – | 82,642 |
| Interest-bearing bank borrowings | 223,510 | – | 223,510 |
| Lease liabilities | 51,652 | 79,739 | 131,391 |
| | 1,376,799 | 79,739 | 1,456,538 |

2022

| | Within one year/ on demand HK$'000 | One to five years HK$'000 | Total HK$'000 |
|---|---|---|---|
| Trade and bills payables | 807,020 | – | 807,020 |
| Financial liabilities included in other payables and accrued liabilities | 85,405 | – | 85,405 |
| Derivative financial instruments | 216 | – | 216 |
| Interest-bearing bank borrowings | 285,923 | – | 285,923 |
| Lease liabilities | 48,437 | 51,573 | 100,010 |
| | 1,227,001 | 51,573 | 1,278,574 |

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

### (vi) 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 the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

The Group's capital comprises all components of equity. As at 31 March 2023, the Group had net cash of HK$84,260,000 (2022: HK$61,804,000), representing total cash and bank balances less total interest-bearing bank borrowings.

The Group is subject to capital requirements imposed by various banks for banking facilities granted. During the year, the Group has complied with the capital requirements imposed by these banks.

## 38. 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**<br>**HK$'000** | 2022<br>HK$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Interests in subsidiaries | **982,209** | 1,029,932 |
| Total non-current assets | **982,209** | 1,029,932 |
| **CURRENT ASSETS** | | |
| Prepayments, deposits and other receivables | **206** | 303 |
| Tax recoverable | **130** | – |
| Cash and bank balances | **1,876** | 546 |
| Total current assets | **2,212** | 849 |
| **CURRENT LIABILITIES** | | |
| Other payables and accrued liabilities | **1,736** | 7,033 |
| Tax payable | **–** | 108 |
| Total current liabilities | **1,736** | 7,141 |
| **NET CURRENT ASSETS/(LIABILITIES)** | **476** | (6,292) |
| Net assets | **982,685** | 1,023,640 |
| **EQUITY** | | |
| Issued capital | **84,254** | 84,254 |
| Reserves *(note)* | **898,431** | 939,386 |
| Total equity | **982,685** | 1,023,640 |

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

*Note:*

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

| | Share premium account HK$'000 | Contributed surplus HK$'000 | Share option reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2021 | 394,934 | 353,435 | 9,524 | 232,020 | 989,913 |
| Equity-settled share option arrangements | – | – | (261) | – | (261) |
| Issue of shares upon exercise of share options | 1,208 | – | (438) | – | 770 |
| Transfer of share option reserve upon the forfeiture or lapse of share options | – | – | (2,899) | 2,899 | – |
| Total comprehensive expense for the year | – | – | – | (1,071) | (1,071) |
| 2021 final dividend declared and paid | – | – | – | (49,965) | (49,965) |
| At 31 March 2022 and 1 April 2022 | 396,142 | 353,435 | 5,926 | 183,883 | 939,386 |
| Transfer of share option reserve upon the forfeiture or lapse of share options | – | – | (5,926) | 5,926 | – |
| Total comprehensive expense for the year | – | – | – | (768) | (768) |
| 2022 final dividend declared and paid | – | – | – | (40,187) | (40,187) |
| At 31 March 2023 | 396,142 | 353,435 | – | 148,854 | 898,431 |

*The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation (note 32), over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, the contributed surplus may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.*

## 39. ACQUISITION OF A SUBSIDIARY

### Year ended 31 March 2022

On 31 December 2021 (the "Braeburn Acquisition Date"), the Group acquired an additional 62.9998% equity interest in Braeburn. The purchase consideration for the acquisition was in the form of cash of US$10,332,000 (equivalent to approximately HK$80,547,000).

The fair values of the identifiable assets and liabilities of Braeburn as at the date of acquisition were as follows:

| | Fair value recognised on acquisition HK$'000 |
|---|---|
| Property, plant and equipment | 3,848 |
| Intangible assets | 26,249 |
| Right-of-use asset | 961 |
| Cash and bank balances | 13,667 |
| Trade receivables | 13,347 |
| Inventories | 21,166 |
| Prepayments, deposits and other receivables | 4,903 |
| Trade and bills payables | (14,455) |
| Other payables and accrued liabilities | (21,867) |
| Lease liabilities | (978) |
| Deferred tax liabilities | (7,217) |
| Total identifiable net assets at fair value | 39,624 |
| Non-controlling interests | (3,962) |
| | 35,662 |
| Goodwill on acquisition | 74,843 |
| | 110,505 |
| Satisfied by: | |
| Cash consideration | 80,547 |
| Fair value of previously held interest | 29,958 |
| | 110,505 |

## 39. ACQUISITION OF A SUBSIDIARY (continued)

### Year ended 31 March 2022 (continued)

The goodwill is attributable to a number of factors, amongst others, the synergies expected to arise after the Group's acquisition of Braeburn. Further details of the above were set out in the Company's announcements dated 31 December 2021 and 27 May 2022. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair values of the intangible assets as at the date of acquisition including brand name, customer relationships and patent amounted to HK$22,283,000 (note 16), HK$1,286,000 (note 16) and HK$2,680,000 (note 16), respectively, and were recognised in accordance with HKAS 38 Intangible Assets.

The fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to HK$13,347,000 and HK$4,903,000, respectively. The gross contractual amounts of trade receivables, and prepayments, deposits and other receivables were HK$13,394,000 and HK$4,903,000, respectively, of which trade receivables of HK$47,000 and prepayments, deposits and other receivables of nil are expected to be uncollectible.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use asset was measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group has elected to measure the non-controlling interests in Braeburn at the non-controlling interests' proportionate share of Braeburn's identifiable net assets.

The Group incurred transaction costs of HK$390,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Prior to the Braeburn Acquisition Date, the Group held a 27.0002% equity interest ("Braeburn Existing Shareholding") in Braeburn. The fair value of the Braeburn Existing Shareholding as at the Braeburn Acquisition Date was calculated with reference to the applicable discounted cash flow method under the income approach, adjusted by the discount for lack of control. The aggregate carrying amount of the Group's interests in Braeburn retained by the Group for the Braeburn Existing Shareholding immediately before the Acquisition Date was approximately HK$10,573,000.

The difference between the fair value of the Braeburn Existing Shareholding and the aggregate carrying amount of the Group's interest in Braeburn retained by the Group for the Braeburn Existing Shareholding as at the Braeburn Acquisition Date of approximately HK$19,385,000 (note 7) has been recognised in the consolidated statement of profit or loss as a gain on remeasurement of the Braeburn Existing Shareholding in Braeburn upon business combination.

## 39. ACQUISITION OF A SUBSIDIARY (continued)

### Year ended 31 March 2022 (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | HK$'000 |
|---|---|
| Cash consideration | **(80,547)** |
| Cash and bank balances acquired | **13,667** |
| Net outflow of cash and bank balances included in cash flows from investing activities | **(66,880)** |
| Transaction costs of the acquisition included in cash flows from operating activities | **(390)** |
| | **(67,270)** |

Since the acquisition, Braeburn contributed HK$28,946,000 to the Group's revenue and caused a loss of HK$2,270,000 to the consolidated profit for the year ended 31 March 2022.

Had the acquisition taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 March 2022 would have been HK$4,252,752,000 and HK$84,128,000, respectively.

## 40. 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$85,633,000 (2022: HK$61,632,000) and HK$85,582,000 (2022: HK$61,632,000), respectively, in respect of lease arrangements for properties (2022: properties and computer software).

(ii) During the year ended 31 March 2022, the Group had payables of HK$2,100,000 in relation to the investment in an associate and included in "other payables and accrued liabilities".

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

### (b) Changes in liabilities arising from financing activities

| | **Interest-bearing bank borrowings HK$'000** | Lease liabilities HK$'000 |
|---|---|---|
| At 1 April 2021 | **83,454** | 76,557 |
| Changes from financing cash flows | **202,640** | (45,976) |
| New leases | **–** | 61,632 |
| Acquisition of a subsidiary | **–** | 978 |
| Termination of a lease | **–** | (997) |
| Interest expenses | **–** | 2,915 |
| Lease modification | **–** | (1,927) |
| Effect of foreign exchange rate changes, net | **(171)** | 1,660 |
| At 31 March 2022 and 1 April 2022 | **285,923** | 94,842 |
| Changes from financing cash flows | **(65,128)** | (51,093) |
| New leases | **–** | 85,582 |
| Termination of a lease | **–** | (1,057) |
| Interest expenses | **–** | 3,299 |
| Lease modification | **–** | (1,711) |
| Effect of foreign exchange rate changes, net | **2,715** | (3,639) |
| At 31 March 2023 | **223,510** | 126,223 |

### (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 | **2,728** | 1,103 |
| Within financing activities | **51,093** | 45,976 |
| | **53,821** | 47,079 |

## 41. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

| | 2023 | 2022 |
|---|---|---|
| Percentage of equity interest held by Braeburn's non-controlling interests: | | |
| Braeburn | 10% | 10% |

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| Profit/(loss) for the year allocated to non-controlling interests: | | |
| Braeburn | 1,035 | (501) |
| Accumulated balances of non-controlling interests at the reporting date: | | |
| Braeburn | 4,575 | 3,483 |

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

| 2023 | Braeburn HK$'000 |
|---|---|
| Revenue | 169,601 |
| Total expenses | (157,876) |
| Profit for the year | 11,725 |
| Total comprehensive income | 11,725 |
| Current assets | 82,727 |
| Non-current assets | 33,793 |
| Current liabilities | (73,800) |
| Non-current liabilities | (5,874) |
| Net cash flows used in operating activities | (450) |
| Net cash flows used in investing activities | (1,673) |
| Net cash flows used in financing activities | (911) |
| Net decrease in cash and cash equivalents | (3,034) |

## 41. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

| 2022 | Braeburn HK$'000 |
|---|---|
| Revenue | 28,946 |
| Total expenses | (33,958) |
| Loss for the year | (5,012) |
| Total comprehensive expense | (5,012) |
| Current assets | 44,210 |
| Non-current assets | 33,034 |
| Current liabilities | (35,643) |
| Non-current liabilities | (6,781) |
| Net cash flows used in operating activities | (3,671) |
| Net cash flows used in investing activities | (424) |
| Net cash flows from financing activities | 85 |
| Net decrease in cash and cash equivalents | (4,010) |

## 42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2023.

# Financial Summary

## Results

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| REVENUE | **4,204,764** | 4,184,831 | 3,596,660 | 3,262,496 | 3,420,131 |
| PROFIT BEFORE TAX | **31,392** | 102,861 | 102,494 | 14,869 | 13,920 |
| INCOME TAX EXPENSE | **(7,853)** | (19,141) | (21,103) | (3,896) | (3,646) |
| PROFIT FOR THE YEAR | **23,539** | 83,720 | 81,391 | 10,973 | 10,274 |
| ATTRIBUTABLE TO: | | | | | |
| OWNERS OF THE COMPANY | **22,504** | 84,227 | 81,391 | 10,993 | 10,289 |
| NON-CONTROLLING INTERESTS | **1,035** | (507) | – | (20) | (15) |
| | **23,539** | 83,720 | 81,391 | 10,973 | 10,274 |

## Assets, Liabilities and Non-controlling Interests

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| TOTAL ASSETS | **2,940,731** | 2,799,964 | 2,487,620 | 2,328,507 | 2,216,564 |
| TOTAL LIABILITIES | **(1,617,916)** | (1,410,076) | (1,089,201) | (1,069,584) | (927,637) |
| NET ASSETS | **1,322,815** | 1,389,888 | 1,398,419 | 1,258,923 | 1,288,927 |
| EQUITY ATTRIBUTABLE TO | | | | | |
| OWNERS OF THE COMPANY | **1,318,240** | 1,386,401 | 1,398,410 | 1,258,914 | 1,288,185 |
| NON-CONTROLLING INTERESTS | **4,575** | 3,487 | 9 | 9 | 742 |
| TOTAL EQUITY | **1,322,815** | 1,389,888 | 1,398,419 | 1,258,923 | 1,288,927 |