TONGDA GROUP

Annual Report 2023

TONGDA GROUP HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code: 698

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wang Ya Nan *(Chairman)*
Mr. Wang Hung Man *(Vice Chairman)*
Mr. Wong Ming Sik
Mr. Wong Ming Yuet
Mr. Hui Wai Man

Non-executive Directors
Ms. Chan Sze Man

Independent Non-executive Directors
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*
Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*
Mr. Ting Leung Huel Stephen,
MH, FCCA, FCPA (PRACTISING), ACA, CTA (HK), FHKIoD
Mr. Sze Irons, *BBS, JP*

AUDIT COMMITTEE (THE "AC")

Mr. Ting Leung Huel Stephen *(Chairman)*
Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher
Ms. Chan Sze Man

REMUNERATION COMMITTEE (THE "RC")

Mr. Ting Leung Huel Stephen *(Chairman)*
Mr. Wang Ya Nan
Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher

NOMINATION COMMITTEE (THE "NC")

Mr. Wang Ya Nan *(Chairman)*
Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher
Mr. Ting Leung Huel Stephen

COMPANY SECRETARY

Mr. Chan Paan Paan

AUDITOR

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

AUTHORISED REPRESENTATIVES

Mr. Wang Hung Man
Mr. Chan Paan Paan

PRINCIPAL BANKERS

In Hong Kong:
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of Communication Co., Limited
The Bank of East Asia
China Citic Bank International Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

In the PRC:
China Construction Bank Corporation
Bank of China Limited
Industrial Bank Co., Ltd
China Merchant Bank Co., Ltd

LEGAL ADVISERS

As to Hong Kong laws:
Michael Li & Co.

As to PRC laws:
DeHeng Law Offices (Xiamen)

As to Cayman Islands laws:
Conyers Dill & Pearman, Cayman

INVESTOR RELATIONS

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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LISTING INFORMATION

Listed on the Hong Kong Stock Exchange (Main Board)
Stock short name: Tongda
Stock code: 698
Board lot: 10,000 shares

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Chairman's Statement

I am pleased to announce the annual results of Tongda Group Holdings Limited (the "Company"), together with its subsidiaries (collectively as the "Group"), for the year ended 31 December 2023 (the "Year") on behalf of the board (the "Board") of directors (the "Directors") of the Company.

Turbulent external environment, ongoing global inflation and weak corporate and consumer confidence put pressure on the sales of consumer products. The revenue of the Group recorded a decrease of approximately 18.2% from approximately HK$7,972.1 million in the corresponding period last year to approximately HK$6,521.9 million during the Year. The gross profit of the Group recorded a decrease of approximately 71.9% from approximately HK$1,229.8 million in the corresponding period last year to approximately HK$345.8 million during the Year. In response to the rapid changes and extremely challenging external operating environment, the Group continued to conduct self-examination, with its primary objective of further solidifying the Group's foundation and strengthening its competitiveness, and carried out a series of optimisation and adjustments to its operating structure, which included but not limited to shutting down factories with sustained losses, consolidating customer base and other measures. Despite the one-time losses to the Group's accounts in the short term, such measures can reduce cash outflow and allow us to invest in other higher-quality businesses in the long run. At the same time, the Group has enough cash reserves and the related losses will not affect the Group's ability to continue as a going concern.

Considering the decrease in contributions from the smart electrical appliances casings business and the network communications facilities and others business to the Group's total revenue, for management purposes, and in line with our continuing restructuring to improve the management efficiency, the management decided to consolidate the handset casings and high-precision components segment with the smart electrical appliances casings segment and the network communications facilities and other segments. As a result, the Group's business segments during the Year will be consolidated into two segments: a) the consumer electronics structural components, which consists of manufacturing of components for smart mobile communication and other electrical consumer products; and b) the household and sports goods, which consists of durable household goods, household utensils and sports goods.

The sales revenue from consumer electronics structural components business during the Year decreased comparing to same period last year in which, sales of handset casings still faced challenges in the first half of the Year. However, the number of orders has shown a recovery in recent months. The Group's handset casing business currently covers all major handset brands worldwide. As the inventory pressure of major customers decreases, we expect to provide more diversified casings and parts for more new model smartphones in the coming year.

For the high-precision components business, the Group updated its strategic planning in accordance with the current situation and sold this business for a price of HK$2,015.0 million during the Year, which was mainly due to the fact that foreign-branded customers of this business are moving their production bases from the PRC to overseas. If the Group did not sell this business, it is likely that the Group would need to invest more funds to set up production facilities overseas. In contrast, the disposal of business enables the Group to largely reduce its finance cost expenditures and improve its liquidity and gearing ratio while freeing up more working capital as well as manpower to strengthen and expand its remaining businesses with established scale and potential for development. The Group is also actively exploring the possibility of application of its existing production facilities and technologies for high precision electronic components in the development of high margin non-electronic consumer goods customers and has obtained initial results. The Group will explore a broader market space through different channels and forms, with the goal of increasing the Group's capacity utilisation and high margin customers.

For the smart electrical appliance casing business, the Group has mature manufacturing and production technologies. In addition, the current policy environment and the electrical appliances market has improved. The Group will devote more efforts to expand its scale and improve profitability.

For the network communication business, the Group expects that the seventh generation of wireless network ("Wi-Fi 7") router applications will be popularised. The Olympic Games Paris will also help the Group's related customers in network communication to promote their new model products, driving the demand for network communication products.

For the household and sports goods business, apart from the existing giant European and US brand customers, the Group has commenced new business relationship with a number of giant consumer brand customers. Meanwhile, as a move to expand this business, the Group has built new factories and are now in operation, which can accommodate the future growth in customer demand for the product and increase the attractiveness of cooperation to new customers. This business was listed on the Main Board of Shenzhen Stock Exchange on 13 March 2023, which raised a net proceed of RMB624.0 million. Upon completion of the spin-off, the Group will continue to hold 67.5% equity interest in the business and remain as subsidiaries of the Group.

The Group has experienced a very challenging general environment in the past few years. We deeply understand that a stable financial position and sufficient liquidity are crucial to the Group's sustainable growth. Therefore, in the face of adverse factors such as the deterioration of the global economy, the relatively slow recovery of the Chinese economy after the COVID-19 epidemic, slow upgrading of consumer goods, weak purchasing power, high interest rates, and tight credit environment, we continuously adjust the overall business through the assistance of different consultants and its own restructuring efforts, which will significantly reduce the Group's financing costs and improve our liquidity and gearing ratio.

Looking ahead to the coming year, we will actively expand our remaining businesses with established scale and potential for development, continue to strengthen our profound accumulation in processes, production line automation and quality control based on innovative technologies and processes and promote the effective use of resources, with an aim to give the Group a greater competitive cost advantage. Meanwhile, we will explore with different customers the possibilities of various emerging products, new materials and new fields and take the increase participation in new products for these customers and expansion of product lines as its medium to long-term strategic goal, with an aim to unleash the corresponding value of the Group's assets more effectively.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express sincere gratitude for the dedicated efforts and valuable contributions of the management and all staff of the Group during the past year. The Group wishes to sincerely thank its shareholders, customers and business partners for their long-standing support. We will continue to practice the Company's core values, further develop our technology and advocate innovations and changes through innovations in every business sector and the application of advanced materials, utilise the diverse and leading technology and craftsmanship to promote the Group's steady progress towards sustainable development goals, and strive to achieve sustainable and high-quality development with all parties in the coming year through continuous efforts and close cooperation with various stakeholders.

Management Discussion and Analysis

BUSINESS REVIEW

As the globally leading solution provider of high-precision structural parts for smart mobile communication and consumer products, the Group provides one-stop solution to customers, starting from product design, technical research and development ("R&D") to manufacturing. Our products mainly cover handset casings and high-precision components, metaverse-related hardware accessories, panels for smart electrical appliances, network communications facilities, automotive interior components, aluminum components of batteries for new energy vehicles, and household and sports goods.

The Group underwent restructuring at the end of 2022, as a result of which the revenue related to manufacturing of automotive interior components and aluminum components of battery for electric vehicles were no longer consolidated to the consolidated financial statements of the Group during the Year after the disposal of 70% of the entire issued share capital of a subsidiary. Meanwhile, with the global inflation, as well as weakening confidence of enterprises and consumers in spending, the sales of consumer products were under pressure, and the Group was affected by destocking of some customers and delay in the product launch schedule, such that the sales revenue of the Group during the Year decreased by 18.2% to HK$6,521.9 million (2022: HK$7,972.1 million).

The Group experienced a decrease in sales revenue without the corresponding drop in certain costs such as depreciation, utilities, wages, etc. Also, the Group made corresponding provision for inventory according to the turnover rate of inventory for the Year, and assumed part of the cost of moulds which was assumed by customer in previous years owing to its decision to do so on an one-off basis based on various commercial considerations such as to enhance competitiveness and to improve capacity utilisation, etc, thus leading to the decrease in the Group's gross profit and gross profit margin for the Year compared to the corresponding period last year. Meanwhile, under rapid changes and increasing challenges in the external business environment, the Group has continued its self-review by carrying out a series of optimising adjustment on operational structure, including but not limited to measures such as discontinuing plants with ongoing losses and strengthening customer base, with further consolidation of the Group's foundation and enhancement of competitiveness as its primary purpose. In the long term, the Group will be able to reduce its cash outflow and invest more in other businesses of higher quality, though there will be a one-off increase in the Group's costs and expenses, leading to the reduction of the Group's gross profit in the short term. Being affected by the various factors as abovementioned, the gross profit of the Group during the Year decreased by approximately 71.9% to approximately HK$345.8 million during the Year from approximately HK$1,229.8 million in the corresponding period last year. As the Group has possessed sufficient cash reserves, the relevant losses do not impact on the ability of the Group's businesses to continue as a going concern.

BUSINESS SEGMENTS

For the purpose of streamlining the management of businesses, the Group recategorised its business divisions according to its products and services. As there was a decrease in revenue contribution from the segments of smart electrical appliances casings as well as network communications facilities and others, in line with our continuous restructuring efforts to improve the management efficiency, the management has decided to consolidate the segments of handset casings and high-precision components, smart electrical appliances casings as well as network communications facilities and others. The segment information from the previous year was re-presented with those during the Year as the basis. The two current reporting segments of the Group are as follows:

(a) Consumer electronics structural components

Consisting of manufacturing of components for smart mobile communication and other electrical consumer products; and

(b) Household and sports goods

Consisting of durable household goods, household utensils and sports goods, etc.

Consumer Electronics Structural Components

The turnover of the business decreased by approximately 18.1% to approximately HK$5,636.4 million during the Year compared to approximately HK$6,878.9 million in the corresponding period last year, representing approximately 86.4% of the total sales revenue of the Group. During the Year, the sales of handset casings still encountered challenges, particularly in the first half of the Year. Considering the tough external business environment and weakening consumer market, during the Year, the Group also decided to assume part of the cost of moulds on behalf of its customers in order to enhance the Group's competitiveness and improve the Group's capacity utilisation. According to the market report published by International Data Corporation ("IDC") in early 2024, the global shipment of smart handset markets decreased by approximately 3.2% year-on-year to approximately 1,170 million units. However, the Group noted that there was a rapid rebound of recovery momentum in global handset markets in the second half of the Year, which contributed to the fact that mass productions of casings for new models of handset have been performed for new models of smart handset of internationally renowned technology brands. IDC also stated that the shipment of handset markets in the fourth quarter of 2023 increased by approximately 8.5% year-on-year, representing the shipment of approximately 330 million units, being higher than the expected growth of approximately 7.3%. It is anticipated that the growth in the second half of 2023 will strengthen the expected recovery in 2024.

The Group timely reviewed its strategic planning and has announced its disposal of high precision components business for a consideration of HK$2,015.0 million, primarily due to the successive production base relocations of customers of foreign brands of the business from China to overseas. If the Group did not dispose of the business, it is highly probable that the Group has to establish its production facilities overseas for the business, which would inevitably lead to significant increase in the capital expenditure of the Group and higher risk exposure. In contrast, such disposal can enable the Group to reduce its finance costs and expenses remarkably while improving its funding liquidity and gearing ratio, thus leading to a balance sheet of higher stability and improving the overall profitability and business performance of the Group.

Moreover, the Group can spare more working capital and manpower through the disposal of the business, which can be used for further expansion of its remaining business of established scale and development potentials, including its businesses such as handset casings, smart electrical appliances casings, network communications facilities and household and sports goods etc., of which, smart electrical appliances casings business mainly provides electrical control panels, metal parts and casings for domestic brands, and network communications facilities business mainly manufactures wireless routers and other networking products casing and high precision components for well-known brands in Europe, the United States and the PRC.

Household and Sports Goods

The sales of the business segment decreased by approximately 19.0% to approximately HK$885.5 million during the Year compared to approximately HK$1,093.2 million in the corresponding period last year, representing approximately 13.6% of the total sales revenue of the Group. The Group mainly manufactures durable household goods, household utensils, sports goods and health care products for international European and American brands. The Group continued to deepen its relationship with its core customers. Although there was a decrease in sales during the Year owing to the destocking of European and American customers, the sales of the Group can be driven back to the uptrend in the coming year with the establishment of new business relationship with various large-scale consumer goods brands, including a Spanish retailer listed on Fortune Global 50, an American high-end consumer goods customer, and a Chinese coffee store chain, plus the fact that the Group also became a qualified supplier for an American supermarket chain during the Year. Besides, the new plant of the Group established for expanding this business has commenced operation, which will accommodate future growth in product demand from customers and enhance the attraction for participation and collaboration of new customers. The listing of the business on the Main Board of Shenzhen Stock Exchange on 13 March 2023 raised a net proceed of RMB624.0 million. Upon completion of the spin-off, the Group continues to hold 67.5% equity interest in the business and the business remains as subsidiaries of the Group. The successful divestment will enhance the overall financial and financing capability of the business and drive the sustainable development.

The percentages of total revenue by product categories for the Year and a comparison with corresponding period last year are as follows:

		2023	2022
i.	Consumer Electronics Structural Components	**86.4%**	86.3%
ii.	Household and Sports Goods	**13.6%**	13.7%

PROSPECTS

The Group understands that the external economic environment is full of uncertainties, and that the credit environment remains tight. The Group will continue to review its strategic planning in a timely manner and, in light of the development potential, opportunities and risks of each of its principal businesses, deploy resources prudently, continue to optimise its business portfolio and adjust its operating structure, flexibly utilise its existing innovative technologies and diversified production capacity, and fully utilise its leading craftsmanship and excellent research and development team to focus on businesses with mature scale and development potential.

According to the IDC research report, it is estimated that global smartphone shipments will reach 1,200 million units in 2024, representing a year-on-year increase of 2.8%. Despite the fact that overall shipments in 2024 are still lower than pre-COVID-19 level, the global smartphone market has bottomed out and begun to show a recovery uptrend. The Group's handset casing business currently covers all major handset brands worldwide, and there are signs of an increase in orders in the past few months. As the inventory pressure of major customers decreases, the Group expects to offer more different casings and accessories for different new models of smartphones in the coming year, so as to boost the overall sales and gross profit margin of the Group's handset casing business. The Group is also actively exploring the application of its existing production equipment and technologies for high-precision electronic components in the development of high-margin non-electronic consumer goods customers in various aspects, and has obtained initial positive results. The Group will explore its potential markets through different channels and forms, with an aim to increase the Group's capacity utilisation and high-margin customers.

For the smart electrical appliances casing business, the Group has a competitive advantage among its industry peers owing to its mature technologies. The PRC government has promulgated and implemented a series of policies, such as the Notice from 13 Departments including the Ministry of Commerce on Certain Measures to Promote Household Consumption (商務部等13部門關於促進家居消費若干措施的通知(商消費發號)), aiming to stimulate the growth of the electrical appliance industry by providing subsidies. In view of the current policy environment and the continuous improvement of the electrical appliance market, the Group will devote more efforts to expand its scale and improve its profitability.

For the network communications business, the Group expects that the application of seventh-generation wireless network (Wi-Fi 7) routers will become increasingly popular, thereby driving the demand for network communications products. Moreover, the 2024 Olympic Games to be held in Paris will also facilitate the Group's network communications customers in promoting their new models of products.

For the household and sports goods business, in addition to the existing giant brand customers in Europe and the United States, as the Group actively placed orders with several new giant consumer brand customers in the past, several new factories have been built and have all been put into production, enabling the Group to respond to the future growth of customers' demand for products and increase the attractiveness for new customers to cooperate with the Group, thereby generating momentum for rapid sales growth in the future.

In recent years, the Group has promptly reorganised and streamlined its businesses. In the long run, the Group will be able to utilise resources more effectively, significantly reduce its financing costs and expenses, and also improve its liquidity and gearing ratio. In the past few years, owing to the assistance of various consulting firms and its own efforts, the Group has achieved significant improvements in operational management, which has brought greater cost competitiveness to the Group and facilitated the Group in expanding its market share among existing customers. Moreover, the Group has continuously strengthened its internal management efficiency and talent reserve in recent years, and will actively utilise its existing high-precision production capacity and technologies, so as to explore, in addition to its existing products, various new industries, new products, new materials and new fields. The Group is confident that it is well-positioned to reap the benefits once the industry picks up.

FINANCIAL REVIEW

During the Year, the Group's total revenue was approximately HK$6,521.9 million, representing a decrease of approximately HK$1,450.2 million or approximately 18.2%, from approximately HK$7,972.1 million in the corresponding period last year. Due to the decrease in contributions from the smart electrical appliances casings segment and the network communications facilities and others segment to the Group's total revenue and in line with our continuing restructuring to improve the management efficiency, the management decided to consolidate the handset casings and high-precision components segment with the smart electrical appliances casings segment as well as the network communications facilities and others segment during the Year. The segment information for last year was re-presented on the basis of the Year and the Group currently has two reportable segments including the consumer electronics structural components segment and the household and sport goods segment respectively.

Revenue

The Group's revenue decreased by approximately 18.2%, from approximately HK$7,972.1 million in the corresponding period last year to approximately HK$6,521.9 million during the Year. At the end of 2022, the Group disposed 70% of the entire issued share capital of a subsidiary and therefore the revenue relating to the manufacturing of automotive interior components and aluminum battery components for electric vehicles was no longer consolidated in the Group's consolidated financial statements during the Year. Meanwhile, global inflation and weak corporate and consumer confidence exerted pressure on the sales of consumer products, and the Group was also affected by the de-stocking of some customers and their delayed product launch schedule. As a result, the Group's sales revenue decreased during the Year when comparing to same period last year.

Gross Profit and Margin

The Group's gross profit decreased by approximately 71.9%, from approximately HK$1,229.8 million in the corresponding period last year to approximately HK$345.8 million during the Year. The gross profit margin was approximately 5.3% during the Year, which was approximately 10.1 percentage points lower than that for the corresponding period last year of approximately 15.4%. Decrease in gross profit and gross profit margin was mainly attributable to:

1) the decrease in sales with reasons mentioned above where certain costs including the depreciation, utilities, wages, etc. could not be reduced in the same proportion;

2) waive certain moulding costs that should have been borne by customers on a one-off basis due to various commercial considerations such as strengthening the Group's competitiveness and enhancing the utilisation of its production capacity under current difficult external operating environment and weak consumer market;

3) the increase in inventory provision from HK$238.2 million in the corresponding period last year to HK$336.7 million during the Year in response to the slowing in turnover rate of inventory as a result of the legacy of the past pandemics and the current relatively weak consumer environment; and

4) the closing down of certain factories which were loss-making over the last few years and therefore resulting one-off charges to the cost of sales.

The Group has sufficient cash reserve at the end of the Year and up to the date of this report and the losses mentioned above have no material impact to the Group's ability to continue as a going concern.

Through the Group's internal reorganisation and consolidation measures, including but not limited to the decommissioning of loss-making factories and consolidation of the customer base, which may bring one-off losses to the Group's books in the short term, the Group will be able to make a more effective use of its resources and minimise the unnecessary cash expenditure in the long run. Coupled with the continuous efforts made by the Group in recent years to strengthen the efficiency of the internal management of the Group and the pool of human resources, the Board is confident that the Group is well-prepared to reap the benefits once the industry picks up.

Other income and gains, net

Other income and gains, net increased by approximately 21.6% or approximately HK$24.3 million from approximately HK$112.7 million in the corresponding period last year to approximately HK$137.0 million during the Year mainly due the increase in government grants and gain on changes in fair value or disposal of the structured deposits during the Year which was partially offset by the year-to-year decline in rental income.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 24.1% or approximately HK$15.9 million from approximately HK$65.9 million in the corresponding period last year to approximately HK$81.8 million during the Year, accounting for approximately 1.3% of the Group's revenue, which was approximately 0.5 percentage points higher than that for the corresponding period last year of 0.8%. The increase was mainly attributable to the increase in expenses for the exploration of new business opportunities.

General and administrative expenses

General and administrative expenses increased by approximately 3.8% or approximately HK$44.0 million from approximately HK$1,166.6 million in the corresponding period last year to approximately HK$1,210.6 million during the Year, accounting for approximately 18.6% of the Group's revenue, which was approximately 4.0 percentage points higher than that for the corresponding period last year of 14.6%. The increase in administrative expenses was mainly because the Group budgeted more on research and development (R&D) expenses for 1) the improvement of efficiency, automation, product improvement and product innovation; 2) the increase in R&D of environmentally friendly products and recycled materials in response to the increasing proportion of the Group's overseas customers and the global trend of environmental protection; and 3) the increase in R&D of new materials and products as requested by various customers along with the gradual improvement in sales orders from customers since the fourth quarter of the Year. The impact from the increase in R&D expenses was partially off-set by the decrease in salaries due to certain cost saving measures.

Other operating expenses, net

Other operating expenses, net increased by approximately 51.5% or approximately HK$50.1 million from approximately HK$97.2 million in the corresponding period last year to approximately HK$147.3 million during the Year, which was mainly attributable to the payment of a termination fee of HK$60.0 million upon the termination of the disposal of the smart electrical appliances casing business during the Year. Detail of which was set out in note 13(a) to the consolidated financial statements in this report.

Finance costs

Finance costs increased by approximately 19.1% or approximately HK$31.6 million from approximately HK$165.2 million in the corresponding period last year to approximately HK$196.8 million during the Year. The increase was mainly attributable to the increase in average interest rate during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a cash inflow from operating activities. The table below summarises the Group's cash flows for the years ended 31 December 2023 and 2022:

	2023	2022
	HK$'000	HK$000
Net cash flows from operating activities	**7,013**	743,435
Net cash flows used in investing activities	**(375,441)**	(348,887)
Net cash flows from/(used in) financing activities	**674,789**	(314,012)

During the Year, the Group's primary sources of funding included cash generated from operating activities, the credit facilities provided by the Group's principal banks and the proceed from spin-off of our household and sport goods business on the Shenzhen Stock Exchange during the Year. As at 31 December 2023, the Group had cash and cash equivalents of HK$1,676.9 million (including time deposits, structured deposits, bank deposits, pledged bank deposits, and cash) (31 December 2022: HK$1,518.4 million), of which HK$194.6 million (31 December 2022: HK$323.2 million) has been pledged to banks as security for trade financing granted. As at 31 December 2023, the Group had total assets of HK$13,302.7 million (31 December 2022: HK$14,228.9 million), net current assets of HK$2,960.7 million (31 December 2022: HK$2,548.6 million) and equity of HK$7,003.5 million (31 December 2022: HK$7,630.8 million). Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy its current operational requirements.

GEARING RATIO AND INDEBTEDNESS

As at 31 December 2023, the gearing ratio of the Group (consolidated net debt/total equity) was 18.1% (31 December 2022: 19.1%). As at 31 December 2023, other than the non-current portion of bank loans of HK$1,065.5 million (31 December 2022: HK$1,050.7 million), the Group had bank and other borrowings of HK$1,878.2 million (31 December 2022: HK$1,927.8 million) which will be repayable within one year from the end of the reporting period.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of HK$197.2 million during the Year (31 December 2022: HK$594.1 million), mainly for the additions of property, plant and equipment for expansion of its consumer electronics structural components segment. Management believes that the Group's ability to invest in capital expenditure in timely anticipation of demand is a competitive advantage of the Group. Capital expenditures are generally funded by internal resources, credit facilities and the proceed from spin-off of our household and sport goods business on the Shenzhen Stock Exchange during the Year.

FOREIGN EXCHANGE

Given our operations and presence become more international, the Group faces foreign exchange exposure including transaction and translation exposure. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK$194.6 million (31 December 2022: HK$323.2 million) that were pledged to banks and a leasehold building in Hong Kong together with the related right-of-use asset, with a total carrying amount of HK$47.9 million (31 December 2022: HK$50.2 million) mortgaged by the Group as at 31 December 2023, no other assets of the Group were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31 December 2023, the Group employed a total of approximately 15,000 permanent employees (31 December 2022: approximately 18,000 employees). Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund, labour pension and mandatory provident fund schemes for our employees in Hong Kong and Singapore respectively.

Past Performance and Forward Looking Statements

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

DIVIDENDS

The Company will consider the declaration of dividends based on its earnings, financial position, debt repayment requirements, capital expenditure plans, medium to long-term business strategies and other factors as the Board may deem appropriate. The Board may also from time to time pay to shareholders of the Company (the "Shareholder(s)") such interim dividends to be justified by the profit of the Company and may recommend final dividends for approval by the Shareholders in its annual general meetings.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

On 22 December 2023, Tongda Precision Technology Company Limited, a wholly-owned subsidiary of the Company as a seller, an independent third party as a purchaser, and the Company as the guarantor, entered into a business transfer agreement whereby the Group agreed to dispose of the business of manufacturing high-precision micro components as currently conducted by the Group for a consideration of HK$2,015,000,000. Further details of the disposal are set out in the announcement of the Company dated 22 December 2023 and the circular dated 19 February 2024. The disposal is expected to be completed on the first half of 2024.

On 22 December 2023, Tongda Intelligence (BVI) Co Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, and Tongda Group (Asia) Limited, as the vendor, entered into the sale and purchase agreement, pursuant to which the purchaser has conditionally agreed to purchase, and the vendor has conditionally agreed to sell all issued shares of Credence Technology Limited, a company incorporated in the British Virgin Islands with limited liability, at the consideration of HK$60,000,000, subject to the terms and conditions as set out in the sale and purchase agreement. The vendor is owned as to 25% each by Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yu and Mr. Wong Ah Yeung, being controlling shareholders and connected persons of the Company. As at the date of this report, the acquisition has been completed. Further details were set out in the announcement of the Company dated 22 December 2023.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this report, the Group did not hold any significant investments as at 31 December 2023.

CONTINGENT LIABILITIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2023, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Ya Nan, aged 66, is the Chairman and CEO of the Group. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. Mr. Wang was formerly a member of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC"). He was formerly the Chairman and a non-executive Director of Tongda Hong Tai Holdings Limited (stock code: 2363) ("Tongda Hong Tai"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He joined the Group in 1988 and has over 30 years of experience in the electronics and electrical industry. He graduated with a Executive Master of Business Administration degree in Xiamen University. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua, who are substantial Shareholders. He is an uncle of Messrs. Wang Hung Man, Wong Ming Sik and Wong Ming Yuet, who are executive Directors.

Mr. Wang Hung Man, aged 35, is the Vice Chairman and the general manager and/or director of the Group's major subsidiaries in Xiamen. He obtained a bachelor's degree in economics from The University of California, Davis in 2011. He also obtained an executive master of business administration (EMBA) degree at China Europe International Business School in 2019. He joined the Group in 2013 and worked in various positions at the major subsidiaries of the Group in Xiamen and was responsible for plant operations management, procurement, companies' daily operations management and strategy development, etc. He is currently responsible for the supervision and strategic development of the Group's business in the consumer electronics structural components division. He is the son of Mr. Wang Ya Hua, who is a substantial Shareholder, and the nephew of Mr. Wang Ya Nan, who is an executive Director and a substantial Shareholder, and Mr. Wong Ah Yeung and Mr. Wong Ah Yu, who are substantial Shareholders. He is also the cousin of Mr. Wong Ming Sik and Mr. Wong Ming Yuet, who are executive Directors.

Mr. Wong Ming Sik, aged 44, is the general manager of the Group's major subsidiaries in Shenzhen and Dongguan. He graduated from University of Central Lancashire in the United Kingdom with a master of science degree in business management and a bachelor of arts degree in accounting and financial studies with honours in 2005 and 2004 respectively. He joined the Group in 2005 and worked in various positions at the major subsidiaries of the Group in Shenzhen and Dongguan and was responsible for plant operations management, procurement, companies' daily operations management and strategy development, etc. He is currently responsible for the supervision and strategic development of the Group's business in Shenzhen and Dongguan. He is the son of Mr. Wong Ah Yeung, who is a substantial Shareholder, and the nephew of Mr. Wang Ya Nan, who is an executive Director and a substantial Shareholder, and Mr. Wong Ah Yu and Mr. Wang Ya Hua, who are substantial Shareholders. He is also the cousin of Mr. Wang Hung Man and Mr. Wong Ming Yuet, who are executive Directors.

Mr. Wong Ming Yuet, aged 42, is the general manager of a major subsidiary of the Group in Shishi. He graduated from Macquarie University in Australia in 2007 and majored in commerce and accounting management. He joined the Group in 2008 and was responsible for daily operations including supply chain, procurement, warehousing and logistics. He is currently assisting the supervision of the Group's business in Shishi. He is the son of Mr. Wong Ah Yu, who is a substantial Shareholder, and the nephew of Mr. Wang Ya Nan, who is an executive Director and a substantial Shareholder, and Mr. Wong Ah Yeung and Mr. Wang Ya Hua, who are substantial Shareholders. He is also the cousin of Mr. Wang Hung Man and Mr. Wong Ming Sik, who are executive Directors.

Mr. Hui Wai Man, Anthony, aged 56, obtained a bachelor of science (Hons) in electronics from Keele University in the United Kingdom in 1990 and has nearly 30 years of experience in the electronics market. After graduating, Mr. Hui joined Seagate Technology PLC (NASDAQ: STX), a company listed on the NASDAQ Stock Market and is one of the world's largest computer hard disk manufacturers. He worked as a business engineer in Singapore. He then joined Kaga Electronics Co., Ltd. (TYO: 8154) ("Kaga Electronics"), a company listed on The Tokyo Stock Exchange, in 1992, where he was responsible for business development. Before Mr. Hui left Kaga Electronics, he was a director of a subsidiary under Kaga Electronics in Asia, and was responsible for the business development of Kaga Electronics in China. Mr. Hui joined the Group in 2003 and is mainly responsible for the sales and marketing activities of the Group in Hong Kong and overseas. He is also responsible for the overall product and business development and the supply chain management of the Group.

NON-EXECUTIVE DIRECTOR

Ms. Chan Sze Man, aged 43, was the chief financial officer and company secretary of the Company from January 2011 to August 2018 and was responsible for the corporate finance, accounts and company secretarial functions of the Group. Ms. Chan graduated from the Hong Kong University of Science and Technology with a Bachelor's Degree in Accounting. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. She joined the Company in June 2010 and has over 16 years of working experience in the field of accounting, auditing and financial management. Ms. Chan has been appointed as an independent non-executive director of Prosperous Future Holdings Limited (stock code: 1259) and Chi Kan Holdings Limited (stock code: 9913) since September 2016 and July 2020 respectively, both being companies listed on the main board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say, *G.B.M., G.B.S., S.B.S., J.P.*, aged 85, joined the Company as an independent non-executive director in October 2007. He is a member of each of the AC, RC and NC. Dr. Yu is the chairman of the HKI Group. He is an independent non-executive director of Wong's International Holdings Limited (stock code: 99), Beijing Enterprises Holdings Limited (stock code: 392) and Fu Shek Financial Holdings Limited (stock code: 2263), all being companies listed on the main board of the Stock Exchange. He was formerly a member of Standing Committee of the Chinese People's Political Consultative Conference, member of the Preparatory Committee of the Hong Kong Special Administrative Region and Hong Kong Affairs Adviser. He is currently the Permanent Honorary President of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Cheung Wah Fung, Christopher, *G.B.S., S.B.S., JP*, aged 72, is an independent non-executive director of the Company and joined the Company in September 2004. He is a member of each of the AC, RC and NC. Mr. Cheung was formerly a member of the National Committee of the CPPCC and a member of the Legislative Council (Financial Services) of the Hong Kong Special Administrative Region. He is currently the Chairman of Christfund Securities group of companies. He serves as the honorary president of the Hong Kong Securities Professionals Association, honorary director of the Hong Kong Chinese General Chamber of Commerce, the president of the Hong Kong China Chamber of Commerce, the honorary president of the Hong Kong Federation of Fujian Association, the vice secretary general of the Friends of Hong Kong Association, and the vice president of the Federation of HK Jiangsu Community Organization. Mr. Cheung has been appointed as an independent non-executive director of Carrianna Group Holdings Company Limited (stock code: 126) since July 2021, being a company listed on the main board of the Stock Exchange.

Mr. Ting Leung Huel Stephen, *MH, FCCA, FCPA (PRACTISING), ACA, CTA (HK), FHKIoD*, aged 70, is an independent non-executive director of the Company and joined the Company in December 2000. He is the chairman of each of the AC and RC and a member of the NC. Mr. Ting is an accountant by profession and has over 40 years of experience in auditing, accounting and management. He is now a non-executive director of Chow Sang Sang (Holdings) International Limited (stock code: 116) and an independent non-executive director of five listed companies, namely, China SCE Group Holdings Limited (stock code: 1966), Computer and Technologies Holdings Limited (stock code: 46), Dongyue Group Limited (stock code: 189), New Silkroad Culturaltainment Limited (stock code: 472) and Tong Ren Tang Technologies Co. Ltd (stock code: 1666).

Mr. Sze Irons, *B.B.S., J.P.*, aged 62, is an independent non-executive director of the Company and joined the Company in May 2023. He is a director of Hang Tung Resources Limited, a private company in Hong Kong and an independent non-executive director of 5 listed companies, namely, Continental Holdings Limited (stock code: 513), Chevalier International Holdings Limited (stock code: 25), Best Mart 360 Holdings Limited (stock code: 2360), Redco Healthy Living Company Limited (stock code: 2370) and Forward Fashion (International) Holdings Company Limited (stock code: 2528). Mr. Sze is currently a standing member of the Chinese People's Political Consultative Conference, a standing committee member of the Beijing Municipal Committee of the CPPCC, the chairman of the HKCPPCC (Provincial) Members Association Limited, a member of the Labour Advisory Board of the Government of Hong Kong, the Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong, the deputy secretary general of The Hong Kong Coalition, the chairman of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council, a council member of the Hong Kong Repertory Theatre, and a member of the University Court of The Hong Kong Polytechnic University.

SENIOR MANAGEMENT

Mr. Pan Jianjun, aged 48, is the deputy general manager in business of the Group's major subsidiaries in Shenzhen and Dongguan. He is mainly responsible for the Group's sales and marketing activities in Shenzhen and Dongguan. He joined the Group in 2003 and has over 20 years of experiences in electronics market.

Mr. Lin Shun Jian, aged 60, is the operation officer of the Group's major subsidiaries in Shishi. He is primarily responsible for assisting the supervision of the daily business operation of operating units of our Group's major subsidiaries in Shishi. He joined the Group in 2001 and has over 18 years of experiences in supervising corporate daily business operation.

COMPANY SECRETARY

Mr. Chan Paan Paan, aged 39, was appointed as the company secretary on 25 November 2020. He is primarily responsible for the corporate finance, accounts functions and overall company secretarial matters of the Group. Mr. Chan graduated from the Hong Kong Baptist University with a Bachelor degree in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in the auditing, accounting and finance field. During the period from May 2019 to February 2020, Mr. Chan served as the financial controller and the company secretary of Tongda Hong Tai Holdings Limited (stock code: 2363).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing the shareholder value and safeguarding interest of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

The Company has compiled with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Part 2 of Appendix C2 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange throughout the Year with certain deviations. The following summarises the Company's corporate governance practices and explains deviations from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company throughout the Year.

BOARD OF DIRECTORS

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation.

As at 31 December 2023 and at the date of this report, the Board comprises five executive Directors (including the chairman of the Board), one non-executive Director and four independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive directors:

Mr. Wang Ya Nan *(Chairman)*
Mr. Wang Hung Man *(Vice Chairman)*
Mr. Wong Ming Sik
Mr. Wong Ming Yuet
Mr. Hui Wai Man

Non-executive director:

Ms. Chan Sze Man

Independent non-executive directors:

Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher
Mr. Ting Leung Huel Stephen
Mr. Sze Irons

The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographical Details of Directors and Senior Management" on pages 17 to 19 of this annual report.

The Board is also responsible for the establishment of the risk management system and internal control of the Company. The Board discusses with the management regularly to ensure that risk management system and internal control are operating effectively.

The Board is responsible for maintaining proper account records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations. The Board is bound to manage the Company in a responsible and effective manner, and therefore every Director should ensure that he/she carries out his/her duty in good faith and in compliance with the standards of the applicable laws and regulations, and acts in the best interests of the Company and its shareholders at all times.

The four independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group.

All Directors have given time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The Group believes that the structure of the Board is most suitable for the Group's existing operation and is most beneficial to the shareholders' interest. However, a review of the structure will be done regularly to see if any change is needed.

The Board meets regularly on a quarterly basis. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the company secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expenses of the Company. Directors who are considered to have conflict of interest or material interest in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

The Board held 8 meetings during the Year. The attendance of individual Directors at the Board meetings as well as general meetings in 2023 is set out bellow:

Members of the Board	Board Meetings	Annual General Meeting
Executive directors:		
Mr. Wang Ya Nan	8/8	1/1
Mr. Wang Hung Man	8/8	1/1
Mr. Wong Ming Sik	8/8	1/1
Mr. Wong Ming Yuet	8/8	1/1
Mr. Hui Wai Man	8/8	1/1
Non-executive directors:		
Ms. Chan Sze Man	8/8	1/1
Independent non-executive directors:		
Dr. Yu Sun Say	8/8	1/1
Mr. Cheung Wah Fung, Christopher	8/8	1/1
Mr. Ting Leung Huel Stephen	8/8	1/1
Mr. Sze Irons	6/6	N/A

The financial controller and company secretary attended all 8 scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

During the Year, Directors had participated in different continuous professional development courses (the "CPD") to develop and refresh their knowledge and skills and each Directors provided their records of training to the Company respectively. The Company is of the view that all Directors meet the C.1.4 of the CG Code and details as follows:

	Notes
Mr. Wang Ya Nan	1, 2 and 3
Mr. Wang Hung Man	1, 2 and 3
Mr. Wong Ming Sik	1, 2 and 3
Mr. Wong Ming Yuet	1, 2 and 3
Mr. Hui Wai Man	1, 2 and 3
Ms. Chan Sze Man	1, 2 and 3
Dr. Yu Sun Say	1, 2 and 3
Mr. Cheung Wah Fung, Christopher	1, 2 and 3
Mr. Ting Leung Huel Stephen	1, 2 and 3
Mr. Sze Irons	1, 2 and 3

Notes:

1. Annual updated conferences for different regulations (including but not limited to accounting, tax and the Listing Rules).

2. Attending CPD Seminars.

3. Reading related journals and/or learning materials.

All Directors, including non-executive Director and independent non-executive Directors, assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board has delegated a schedule of responsibilities to each of the executive directors. Mr. Wang Ya Nan, the Chairman of the Board and the Chief Executive Officer, established the Company's strategic direction, sets the Company's objectives and plans, provides leadership and ensures availability of resources in the attainment of such objectives. He is also required to control, supervise and monitor the capital, corporate finance, technical and human resources of the Group. Mr. Wang Hung Man, the Vice Chairman of the Board, implements the decisions of the Board and manages strategies and plans approved by the Board; and prepares and monitors the annual production plans and operating budget. He is also required to give direction of the day-to-day operation in the the consumer electronics structural components division. Mr. Wong Ming Yuet assists the operation in Shishi. Mr. Wong Ming Sik oversees the operation in Shenzhen and Dongguan.

According to C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not have a separate chairman and chief executive officer and Mr. Wang Ya Nan currently holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. In addition, vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The balance of power is further ensured by the following reasons:

– The audit committee of the Company is comprised of a non-executive Director and three independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisers when considered necessary.

The Board believes that the present structure is considered to be appropriate under the current size of operation, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang Ya Nan, and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

NON-EXECUTIVE DIRECTOR

The Company has a non-executive Director, Ms. Chan Sze Man, who is responsible for overseeing the company and business issues in a broad perspective particularly on helping develop proposals for strategy development. Ms. Chan has been appointed as a non-executive Director for a term of three years commencing from 31 August 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has four independent non-executive Directors, namely Dr. Yu Sun Say, *GBM, GBS, SBS, JP*, Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*, Mr. Ting Leung Huel Stephen and Mr. Sze Irons, *BBS, JP*.

The four independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the retirement by rotation and re-election of Directors in accordance with the Articles of Association of the Company, which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting.

REMUNERATION COMMITTEE

The RC was set up with written terms of reference to oversee the remuneration policy and structure for all Directors and senior management. The RC comprises the Chairman and Chief Executive Officer of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Mr. Ting Leung Huel Stephen, Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher. Mr. Ting Leung Huel Stephen takes the chair of the RC. The terms of reference of RC are in compliance with the Listing Rules. The role of the RC is to recommend to the Board a framework for remunerating the Directors and senior management and to determine specific remuneration packages for them. It is provided with sufficient resources by the Company to discharge its duties.

The remuneration package for each of the Directors are determined with reference to market rates, economic and market situations, individual contributions to the Group's results and development as well as individual's potential in accordance with CG code E.1.2(c)(ii). All revision to the remuneration packages of the Directors are subject to the review and approval of the Board. Details of Directors' remuneration are set out in note 8 to the financial statements in this annual report.

The Company operates share option and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the schemes are disclosed in note 27 to the financial statements.

During the Year, the RC held 1 meeting to review and approve the remuneration of the executive Directors, non-executive Director and senior management of the Company. Details of the attendance record are as follows:

Attendance at RC meeting	Number of meetings attended (1 meeting in total)
RC members:	
Mr. Ting Leung Huel Stephen	1/1
Mr. Wang Ya Nan	1/1
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	1/1
Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*	1/1

AUDIT COMMITTEE

The AC comprises three of the independent non-executive Directors, Mr. Ting Leung Huel Stephen, Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and the non-executive Director, Ms. Chan Sze Man. Mr. Ting Leung Huel Stephen takes the chair of the AC. The terms of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the CG Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitors and safeguards the independence of external auditor and relevant auditing matters. In addition, the AC is responsible to review and supervise the risk management and internal control systems of the Group and transactions with connected persons (if any).

During the Year, the AC held 3 meetings to review the Group's unaudited interim results for the six months ended 30 June 2023 and audited annual results for the Year which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The AC has also reviewed the effectiveness of the risk management and the internal control systems of the Company and considers the risk management and internal control systems to be effective and adequate. Details of the attendance record are as follows:

Attendance at AC meeting	Number of meetings attended (3 meetings in total)
AC members and attendants:	
Mr. Ting Leung Huel Stephen	3/3
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	3/3
Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*	3/3
Ms. Chan Sze Man	3/3

NOMINATION COMMITTEE

The NC was set up with written terms of reference to review the structure, size, composition and diversity of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Company also recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has adopted a "Board Diversity Policy" (the "Diversity Policy") which sets out the approach to achieve diversity on the Board and the NC is responsible for monitoring the implementation of the Diversity Policy. In assessing the Board composition, the NC would take into account various aspects as well as factors concerning Board diversity as set out in the Diversity Policy, including but not limited to gender, age, cultural and educational background, or professional experience etc. The NC will discuss any revisions which may be required, and recommend any such revisions to the Board for consideration and approval.

For the year ended 31 December 2023 and as at the date of this report, the Board consists of seven male members and one female member. The Nomination Committee considered that the Board was sufficiently diverse in terms of gender and the Board had not set any measurable objectives. The Company has also reviewed the structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation. The Board will endeavour to at least maintain female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

The NC comprises the Chairman and Chief Executive Officer of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Mr. Ting Leung Huel Stephen. Mr. Wang Ya Nan takes the chair of the NC. The terms of reference of NC are in compliance with the Listing Rules.

The role and function of the NC include to determine the policy for the nomination of directors, identify individuals suitably qualified to join the Board by the selection of individuals nominated for directorships and to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and the diversity needed in the future. Before a prospective Director's name is formally proposed, opinions of the existing Directors (including the independent non-executive Directors) will be solicited. The proposed appointment will first be reviewed by the NC, taking into account the balance of skills, knowledge and experience on the Board. Upon recommendation of the NC, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation. If necessary, the Company may also engage external search firm to assist in the sourcing and identification of appropriate candidates for Board appointments.

During the Year, the NC held 1 meeting to review the independence of the independent non-executive Directors, to consider the qualifications of the retiring directors standing for election at the 2023 annual general meeting, to review the structure, size and composition of the Board and to review the Diversity Policy. Details of the attendance record are as follows:

Attendance at NC meeting	Number of meetings attended (1 meeting in total)
NC members:	
Mr. Wang Ya Nan	1/1
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	1/1
Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*	1/1
Mr. Ting Leung Huel Stephen	1/1

AUDITOR'S REMUNERATION

Details of fees paid or payable to the Group's external auditor for the Year are as follows:

Services	Fees HK$'000
Annual audit	3,390
Non-audit services	860
Total	4,250

DIVIDEND POLICY

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

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group in accordance with statutory requirements and accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements for the Group are published in a timely manner. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquires, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The accounting systems and internal control of the Group are designed to prevent any misappropriation of the Group's assets, any unauthorised transactions as well as to ensure the accuracy of the accounting records and the truthfulness and fairness of the financial statements.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and half-yearly reports, other inside information announcements and other financial disclosures required under Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 44 to 49 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has complied with the risk management and internal control code provisions during the reporting period. The Directors assume the responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems, and through the Company's Audit Committee, kept regularly appraised of significant risks that may impact on the Group's performance. The Group's system of internal control includes a defined management structure with limits of authority. Appropriate policies and control procedures have been designed, implemented and reviewed to ensure that assets are safeguarded against improper use or disposal; established system, relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact on the Group's performance are appropriately identified and managed. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material misstatement, errors, losses and fraud.

The Board oversees risk management and internal controls of the Group on an on-going basis, with the risk management framework as follows:

The risk management framework in Tongda Group

Risk management committee is formed in 2015 by the Chairman and the financial controller, each manufacturing base of finance unit and operational unit included.

Our Group systematically considered the changes, since the last annual review in the nature and extent of four core risks: (1) Compliance risk – risk of exposure to legal penalties or financial loss, the Group will face when it fails to accordance with industry laws and regulations, internal policies or best practices. (2) Financial risk – it is associated with financial transactions, which covers credit risk, liquidity risk, exchange rate risk and interest rate risk etc. (3) Operational risk – it results from inadequate or failed internal processes, people and system. This includes fraud risk, vendor outage or processing errors and etc. (4) Strategic risk – the current and prospective adverse impact on earnings or capital arises from adverse business development decisions, improper strategic decision-making process, and/or lack of responsiveness to industry changes, etc. This includes reputation risk, legal risk and compliance risk.

With the system in place, the Board is able to identify and classify the key risks faced by the Group; assess the likelihood and impact of each risk factor faced by the Group; carry out review and assessment on those critical aspects of the key procedures, systems and controls of the Company to address the risk factors faced by the Group; respond to changes in its business and external environment. The Board keeps an ongoing monitoring of risks and of the internal control systems; evaluate the residual risks faced by the Group with the relevant control measures taken into account; and make recommendations, based on our observations, we can manage rather than eliminate the risk of failure to achieve business objectives.

Our Group has already adopted Policy and Procedures on Disclosure of Inside Information since 2014, details of which are disclosed in Company website and there is no material breach of the procedures and internal controls for the handling and dissemination of inside information.

In addition to the risk management and internal control function carried out internally by the Group, an external independent audit firm, BT Corporate Governance Limited has been appointed to review and appraise the internal control system and risk management system of the Group for the Year. The annual internal control review plan of the Group covers major activities and material controls (including operational, financial and compliance) of the Group's business and service units. A report on the result of assessment and recommendations from BT Corporate Governance Limited was provided to the AC in March 2024.

The AC considers that the internal audit function is adequately resourced and has appropriate standing in the Company. The internal audit function is staffed with persons with relevant qualifications and experience. The AC also considers that the internal auditor has carried out its function according to appropriate professional standards. The AC has met, at least annually, to review the adequacy and effectiveness of the internal audit function. The Board and the AC have reviewed the reports of the internal auditor and the internal controls in place, and are satisfied that there are adequate internal controls in the Company. The internal auditor reports directly to the Chairman of the AC and administratively to the Executive Directors.

Based on the review carried out by BT Corporate Governance Limited, the AC and the Board, the Board concluded that there are no material irregularities nor areas of concern that would have significant adverse impact on the Company's financial position or results of operations, and that the risk management and internal control systems are adequate and effective and the Company's resources, staff qualifications and experience, training programs and budget for accounting, internal audit, financial reporting function and Listing Rules compliance are adequate.

COMPANY SECRETARY

As at 31 December 2023, the company secretary of the Company is Mr. Chan Paan Paan and a written confirmation had been received by the Company from Mr. Chan to confirm he took no less than 15 hours of relevant professional training. The Company is of the view that Mr. Chan complied with the Rule 3.29 of the Listing Rules.

EXTERNAL AUDITOR

Currently, the Group's external auditor is D & Partners CPA Limited who has been appointed as the external auditor of the Company with effect from 8 December 2023 following the resignation of Ernst & Young with effect from 1 December 2023 to fill in the casual vacancy and to be appointed by the shareholders of the Company at the annual general meeting to be held on 29 May 2024. The AC is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor. The AC has given their opinion on the fee charged by the external auditor to the Company and has approved the appointment of D & Partners CPA Limited as auditor, which the Board fully concurred with such approval of the AC. The responsibilities of the external auditor on the financial statements are set out in the "Independent Auditor's Report" on pages 44 to 49 of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Room 1201-02, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at Room 1201-02, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Directors recognise the importance of long-term support from the shareholders of the Company. The Company attaches great priority to establish effective communication with its shareholders and investors. In an effort to enhance such communications, the Company provides information relating to the Company and its business in its annual report and also disseminates such information electronically through its website at http://www.tongda.com.

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. All Directors, senior management and external auditor make an effort to attend the annual general meeting of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 21 days' notice of the date and venue of the annual general meeting of the Company. The Company supports the CG Code's principle to encourage shareholders' participation.

The Board will review regularly the Group's operation and corporate governance of the Company in order to ensure compliance of the articles of association of the Company, the laws of the Cayman Islands and regulations and to protect the interest of its shareholders.

CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company was amended and restated following the approval of the shareholders of the Company at the annual general meeting held on 29 May 2023.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries and associates are set out in notes 37 and 17 respectively, to the financial statements. Except disclosed in notes 10 and 38 to the financial statements, there were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDENDS

The Group's loss for the Year and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 50 to 155.

No interim dividend (2022: Nil) per ordinary share was declared and paid during the Year.

The Directors did not recommend the payment of a final dividend (2022: Nil) per ordinary share for the Year. Details are set out in note 11 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the "Management Discussion and Analysis" on pages 7 to 16 of this annual report and the cross-referenced part of the annual report forms part of the directors' report. The Group is committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

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

Business Risk

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

Financial Risk

The financial risk management of the Group are set out in note 35 to the financial statements and the cross-referenced part of the annual report forms part of the directors' report.

ENVIRONMENTAL PROTECTION POLICY

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

RELATIONS WITH KEY STAKEHOLDERS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 156. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and the investment property of the Group during the Year are set out in notes 13 and 14, respectively, to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2023 are set out in note 24 to the financial statements.

SHARE CAPITAL AND SHARE OPTION AND SHARE AWARD SCHEMES

Details of movements in the Company's share capital and share option and share award schemes during the Year, together with the reasons therefor, are set out in notes 26 and 27, respectively, to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$1,988,941,000. This includes the Company's share premium account in the amount of HK$1,780,859,000 as at 31 December 2023, which may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$633,000.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2023, (i) the Group's largest customer and five largest customers accounted for approximately 16.1% and 47.2% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 1.1% and 4.3% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

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

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive directors:

Mr. Wang Ya Nan *(Chairman)*
Mr. Wang Hung Man *(Vice chairman)*
Mr. Wong Ming Sik
Mr. Wong Ming Yuet
Mr. Hui Wai Man

Non-executive directors:

Ms. Chan Sze Man

Independent non-executive directors:

Dr. Yu Sun Say, *GBM, GBS, SBS, JP*
Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*
Mr. Ting Leung Huel Stephen
Mr. Sze Irons, *BBS, JP* (appointed on 29 May 2023)

In accordance with articles 107 and 108 of the Company's articles of association, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

In accordance with article 104 of the Company's articles of association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election. Accordingly, Mr. Wang Hung Man, Mr. Hui Wai Man and Mr. Cheung Wah Fung, Christopher will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2023, the interests and long positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of directors	Directly beneficially owned	Through controlled corporation	Note	Total	Percentage of the Company's issued share capital (Note 3)
Mr. Wang Ya Nan	691,395,000 (L)	2,819,250,000 (L)	1, 2	3,510,645,000 (L)	36.06
Mr. Hui Wai Man	100,000,000 (L)	–		100,000,000 (L)	1.03
Dr. Yu Sun Say	32,415,000 (L)	–		32,415,000 (L)	0.33
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–		5,950,000 (L)	0.06
Mr. Ting Leung Huel Stephen	9,675,000 (L)	–		9,675,000 (L)	0.10
Mr. Sze Irons	14,750,000 (L)	–		14,750,000 (L)	0.15

L: Long position
S: Short position

Notes:

1. 2,375,250,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").

2. 444,000,000 shares are held by E-Growth Resources Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.

3. The percentages have been compiled based on the total number of issued shares (i.e. 9,735,607,645 shares) as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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 OR DEBENTURES

Save as disclosed in the section "Share Option and Share Awards Schemes" below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

UPDATE ON USE OF PROCEEDS FROM RIGHTS ISSUE

To strengthen the financial status and stability of the Group and to enhance the Group's liquidity and lowering the gearing level, the Company has completed a rights issue and issued 3,239,752,548 new shares at the subscription price of HK$0.232 per rights share on the basis of one rights share for every two existing shares of the Company on 13 September 2021 ("Right Issue"). Upon completion of the Rights Issue, the Company received net cash proceeds of approximately HK$749 million (the "Net Proceeds") of which approximately HK$552 million has been utilised during the year ended 31 December 2021 where the remaining balance of approximately HK$197 million has been fully utilised during the year ended 31 December 2022 in accordance with the intentions previously disclosed by the Company as follows:

Intended use of proceeds	**Intended allocation of the remaining net proceeds (HK$ million)**	Actual allocation of the remaining net proceeds during the year ended 31 December 2022 (HK$ million)
Capital expenditure for the purchase of machinery and equipment to improve automation and production efficiency and increase production capacity, to support the development of handset casings and high-precision components business	**168**	168
For research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business, so as to support the continuous development of the Group's major business	**29**	29
	197	197

SHARE OPTION AND SHARE AWARD SCHEMES

Share Option Scheme

The Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include all executive directors and any full-time employee of the Company or any of its subsidiaries and any suppliers, consultants or advisers who will provide or have provided services to the Group.

During the years ended 31 December 2023 and 2022, no shares options were granted by the Company under the Scheme.

The Scheme has expired on 24 June 2023 and no further options can be granted under the Scheme.

Share Award Scheme

The Company adopted a share award scheme on 17 January 2022 (the "Share Award Scheme") under which the Directors may, from time to time, at its absolute discretion select any employee (other than excluded employee) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected employee(s) at a price per awarded share not less than the higher of:

(a) the par value of the share of the Company;

(b) 50% of the closing price of the shares of the Company as quoted on the Stock Exchange on the grant date; and

(c) 50% of the average of the closing prices of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the grant date.

The Board is entitled to impose any conditions, as it deems appropriate with respect to the entitlement of the selected employee to the awarded shares.

The purpose of the Share Award Scheme is to (i) establish a mechanism of "risk sharing and benefit sharing" between middle and senior management and the Group, so that the middle and senior management have the opportunity to share the results of the Group's strategic development and organisational changes, and attract and retain core talents; (ii) establish an equity reward model linked to the Company's overall value and personal performance indicators and achieve diversified and long-term rewards for middle and senior management; and (iii) attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of 10 years from 17 January 2022 unless terminated earlier by the Board and is administered by the Board and the trustee of the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued shares of the Company as at the adoption date of the Share Award Scheme. The number of awards available for grant under the Share Award Scheme as at 31 December 2022, 1 January 2023 and 31 December 2023 was 916,425,764, 916,425,764 and 917,425,764 respectively. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the shares in issue of the Company from time to time.

The number of shares that may be issued in respect of the awarded shares granted under the Share Award Scheme during the year ended 31 December 2023 and 2022, being 38,150,000 shares and 55,500,000 shares respectively, divided by the weighted average number of shares of the relevant class in issue for the respective period was approximately 0.39% and 0.57%.

As at the date of this report, the total number of shares available for issue under the Share Award Scheme was 38,150,000 (2022: 55,500,000), representing approximately 0.39% (2022: 0.57%) of the entire issued share capital of the Company as at the date of this report.

During the year ended 31 December 2022, 64,500,000 awarded shares were granted under the Share Award Scheme to 14 selected employees who are individual third parties under the Listing Rules. The awarded shares are subject to certain vesting conditions specified by the Board at the time of granting the awarded shares and shall be vested in three tranches in 48 months started from the grant date. Further details of the Share Award Scheme are disclosed in note 27 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option and Share Award Schemes" above, there were no equity-linked agreements entered into by the Group, or existed during the Year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2023, the following parties were interested in 5% or more of the Company's issued share capital as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder		Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	Note	Directly beneficially owned	2,375,250,000 (L)	24.40

Note:

The issued share capital of Landmark Worldwide is held and beneficially owned as to 25% each by the Wong Brothers.

Save as disclosed above, as at 31 December 2023, no person, other than the Directors, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

SPECIFIC PERFORMANCE COVENANT ON CONTROLLING SHAREHOLDERS

Facility Agreement dated 8 June 2023

On 8 June 2023, the Company as borrower, certain of its subsidiaries as guarantors, Standard Chartered Bank (Hong Kong) Limited ("SCB"), Xiamen International Bank Xiamen Branch ("XIB"), United Overseas Bank Ltd (Hong Kong Branch) ("UOB") and Bank of Communications (Hong Kong) Limited ("BOCOMM") as Mandated Lead Arrangers and Bookrunners; Bank Sinopac Hong Kong Branch ("Bank Sinopac") and Ping An Bank Co., Ltd. ("Ping An Bank") as Arrangers; SCB as Agent; and various financial institutions as lenders entered into a facility agreement (the "2023 Facility Agreement") in relation to a term loan facility of up to a principal amount of HK$866,666,000 for a term of three years (the "2023 Facility"). Pursuant to the 2023 Facility Agreement, it is an event of default if (i) Mr. Wang Ya Nan ("Mr. Wang"), Mr. Wang Ya Hua, Mr. Wong Ah Yu and Mr. Wong Ah Yeung (collectively, the "Majority Shareholders") collectively do not or cease to be the single largest shareholder of the Company and do not or cease to own, directly or indirectly at least 35% of the legal and beneficial interest in the Company, carrying at least 35% of the voting right; (ii) Mr. Wang is not or ceases to be the Chairman of the Company; (iii) Mr. Wang is not or ceases to be actively involved in the board, management and business of the Group; (iv) The Company does not or ceases to own, directly or indirectly, 100% of the beneficial interest in any guarantor, carrying 100% of the voting right, free from any mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect; and (v) The Company does not or ceases to own, directly or indirectly, at least 51% of the equity interest in the 通達創智（廈門）股份有限公司 (Tongda Smart Tech (Xiamen) Co., Ltd.*), carrying at 51% of the voting right, free from any mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect. Details of the 2023 Facility are set out in the announcement of the Company dated 8 June 2023.

Facility Agreement dated 4 January 2022

On 4 January 2022, the Company as borrower, certain of its subsidiaries as guarantors, Hang Seng Bank Limited ("HSB") and the Hongkong and Shanghai Banking Corporation Limited ("HSBC") as coordinator, HSBC as agent and various financial institutions as lenders entered into a facility agreement (the "2022 Facility Agreement") in relation to a term loan facility of up to a principal amount of HK$1,200,000,000 for a term of three years (the "2022 Facility"). Pursuant to the 2022 Facility Agreement, it is an event of default if (i) Mr. Wang Ya Nan ("Mr. Wang"), Mr. Wang Ya Hua, Mr. Wong Ah Yu and Mr. Wong Ah Yeung (collectively, the "Majority Shareholders") collectively do not or cease to be the single largest shareholder of the Company and do not or cease to own, directly or indirectly at least 35% of the legal and beneficial interest in the Company, carrying at least 35% of the voting right; (ii) Mr. Wang is not or ceases to be the Chairman of the Company; (iii) Mr. Wang is not or ceases to be actively involved in the board, management and business of the Group; and (iv) The Company does not or ceases to own, directly or indirectly, 100% of the beneficial interest in any guarantor, carrying 100% of the voting right, free from any mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect. Details of the 2022 Facility are set out in the announcement of the Company dated 4 January 2022.

DIRECTORS' SERVICE CONTRACTS

Mr. Wang Ya Nan, being the executive director of the Company, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 December 2000, and which will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other.

Mr. Wang Hung Man, Mr. Wong Ming Yuet and Mr. Hui Wai Man, being the executive directors of the Company, each of them has entered into a service contract with the Company for an initial term of three years commencing from 21 October 2019, renewable automatically for successive term of one year and may be terminated by either party by giving one month's notice in writing at the end of the initial term or any time thereafter.

Mr. Wong Ming Sik, appointed to be an executive director on 6 January 2020, has entered into a service contract with the Company for an initial term of three years commencing from 6 January 2020, renewable automatically for successive term of one year and may be terminated by either party by giving one month's notice in writing at the end of the initial term or any time thereafter.

Ms. Chan Sze Man, an non-executive director, has entered into a letter of appointment with the Company for a term of three years commencing from 31 August 2021, subject to retirement by rotation and may be terminated by giving one month's notice in writing by either party.

Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher have been appointed as independent non-executive Director of the Company in October 2007 and September 2004 respectively. Both of them do not have a fixed term of office with the Company.

Mr. Ting Leung Huel Stephen has been appointed as independent non-executive Director of the Company in December 2000 and he has a service contract with the Company with an initial term of three years and renewable automatically for successive term of one year, subject to retirement by rotation and re-election.

Mr. Sze Irons has been appointed as independent non-executive Director of the Company in May 2023 and he has a service contract with the Company with an initial term of three years and renewable automatically for successive term of one year, subject to retirement by rotation and re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

No contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 December 2023, none of the Directors or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiries of the Directors, the Directors have complied with the required standard of dealings as set out in the Model Code throughout the Year.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions during the Year are set out in note 30 to the financial statements. Save as disclosed in this report, none of these related party transactions constitutes connected transaction or continuing connected transaction which is required to be disclosed under the Listing Rules. The Directors confirm that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the RC on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the RC, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of Directors' remuneration are set out in note 8 to the financial statements.

The Company has adopted the share option and share award schemes as an incentive to directors and eligible employees, details of the share option schemes are set out in note 27 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

Ernst & Young has resigned as the auditor of the Company with effect from 1 December 2023 as Ernst & Young and the Company could not reach a consensus on the audit service fee regarding the annual audit for the financial year ended 31 December 2023. The Board, with the recommendation from the Audit Committee, has resolved to appoint D & Partners CPA Limited as the new auditor of the Company with effect from 8 December 2023 to fill the casual vacancy following the resignation of Ernst & Young.

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

A resolution for the reappointment of D & Partners CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting. Save as disclosed above, there was no other change of the Company's auditors in any of the preceding three years.

PERMITTED INDEMNITY PROVISIONS

The articles of associations of the Company provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them 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 or trusts.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the Group has no significant event after the reporting period.

ON BEHALF OF THE BOARD

Wang Ya Nan
TONGDA GROUP HOLDINGS LIMITED
Chairman

Hong Kong
27 March 2024

Independent Auditor's Report

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

To the shareholders of Tongda Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tongda Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 155, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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.

KEY AUDIT MATTERS *(continued)*

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables As at 31 December 2023, the Group had a gross trade receivables balance of HK$1,726,098,000 and impairment allowances of HK$52,687,000. Management evaluates the estimated provision for impairment of trade receivables based on specific review of customers' accounts as well as experience from collection trends, current business conditions and expected future market conditions. The accounting policies and disclosures for allowances for trade receivables are included in notes 2.4, 3 and 20 to the consolidated financial statements.	Our audit procedures included, among others, selecting samples for the circularisation of debtor confirmations, checking subsequent settlements of trade receivables, and reviewing trade receivables' ageing reports to identify any long overdue debts and their historical pattern of settlements. In addition, we inspected the published economic indices that management applied in their assessment of the loss allowances for trade receivables.
Provision against inventories As at 31 December 2023, the Group had a gross inventory balance of HK$1,855,125,000 and inventory obsolescence of HK$587,871,000. Management considers various factors, including the conditions and ageing of inventories, the latest invoice prices and current market conditions, when determining inventory provision for surplus inventories or obsolete inventories. The accounting policies and disclosures for provision against inventories are included in notes 2.4, 3 and 19 to the consolidated financial statements.	Our audit procedures included, among others, performing lower of cost and net realisable value tests by reviewing the gross profit margin analysis of products during the year and discussing with management regarding their pricing policy and provision basis, performing obsolescence review by reviewing the subsequent usage of raw materials, work in progress and delivery of finished goods to customers and attending physical inventory counts and performing compilation tests.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment	
As at 31 December 2023, the Group had property, plant and equipment of HK$4,552,218,000, representing 86% and 34% of the Group's non-current assets and total assets, respectively. Management performed impairment assessment on the Group's property, plant and equipment where an indicator of impairment of these assets existed. When performing the impairment test, management determined the recoverable amounts of the relevant assets, cash-generating units ("CGUs") or groups of CGUs as at 31 December 2023 based on the higher of value in use calculations using the discounted cash flow method and fair value less costs of disposals. When using value in use calculations, significant management judgement and estimates were involved in the assessments of the recoverable amounts of CGUs or groups of CGUs, for example, budgeted sales and discount rate. The outcome was sensitive to the expected future market conditions and the actual performance of the CGUs or groups of CGUs. The accounting policies and disclosures for impairment assessment of property, plant and equipment are included in notes 2.4 and 3 to the consolidated financial statements.	We evaluated management's impairment assessment and the identification of CGUs or groups of CGUs based on the Group's accounting policies and our understanding of the Group's business. In evaluating management's impairment assessment, we also assessed the valuation methodologies adopted by management in determining of recoverable amounts of the assets, CGUs or groups of CGUs. With regard to management's value in use calculations, we evaluated and tested the key assumptions used in the calculations: – for budgeted sales, by comparing the Group's budgets of the relevant CGUs with the historical results; and – for discount rate, by making reference to market data and comparable companies in the industry; We assessed the external valuer's qualification, experience and expertise in the assets being valued and considering their objectivity and independence.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2023.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Heung Wai Keung.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Heung Wai Keung
Practising Certificate No.: P06700
Hong Kong

27 March 2024

Consolidated Income Statement

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000 (Re-presented)
REVENUE	5	**6,521,928**	7,972,063
Cost of sales		**(6,176,145)**	(6,742,321)
Gross profit		**345,783**	1,229,742
Other income and gains, net	5	**137,008**	112,655
Selling and distribution expenses		**(81,843)**	(65,940)
General and administrative expenses		**(1,210,563)**	(1,166,593)
Gain on disposal of subsidiaries	38	**–**	401,773
Other operating expenses, net		**(147,259)**	(97,187)
Finance costs	6	**(196,782)**	(165,182)
Share of profits of associates		**512**	–
Share of loss of a jointly-controlled entity		**–**	(30,265)
PROFIT/(LOSS) BEFORE TAX	7	**(1,153,144)**	219,003
Income tax expense	9	**(51,769)**	(67,302)
PROFIT/(LOSS) FOR THE YEAR		**(1,204,913)**	151,701
Attributable to:			
Owners of the Company		**(1,229,656)**	137,287
Non-controlling interests		**24,743**	14,414
		(1,204,913)	151,701
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	12	**(HK12.64 cents)**	HK1.41 cents
Diluted		**(HK12.64 cents)**	HK1.41 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**(1,204,913)**	151,701
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on property revaluation		**(1,078)**	1,126
Deferred tax credited/(debited) to the asset revaluation reserve	25	**281**	(184)
		(797)	942
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations			
– subsidiaries		**(132,159)**	(735,860)
– associates		**(598)**	–
– jointly-controlled entity		**–**	(2,819)
Release of exchange reserve upon disposal of subsidiaries		**–**	(8,256)
		(132,757)	(746,935)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX		**(133,554)**	(745,993)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(1,338,467)**	(594,292)
Attributable to:			
Owners of the Company		**(1,345,329)**	(601,007)
Non-controlling interests		**6,862**	6,715
		(1,338,467)	(594,292)

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,552,218**	5,597,605
Right-of-use assets	15	**371,803**	381,760
Investment property	14	**74,779**	81,166
Investment in a jointly-controlled entity	16	**–**	–
Investments in associates	17	**120,505**	119,389
Long term deposits	18	**76,377**	49,099
Lease receivables	15	**–**	3,202
Term deposits	21	**62,332**	–
Deferred tax assets	25	**11,159**	3,703
Total non-current assets		**5,269,173**	6,235,924
CURRENT ASSETS			
Inventories	19	**1,267,254**	2,351,255
Trade and bills receivables	20	**1,906,700**	2,159,485
Prepayments, deposits and other receivables		**622,894**	653,217
Due from a jointly-controlled entity	16	**112,922**	105,989
Loans to a jointly-controlled entity	16	**169,925**	198,288
Due from an associate	17	**–**	6,269
Lease receivables	15	**3,739**	5,228
Tax recoverable		**8,529**	3,160
Financial assets at fair value through profit or loss ("FVTPL")	22	**259,434**	–
Pledged deposits	21	**194,648**	323,216
Cash and cash equivalents	21	**1,160,490**	1,195,166
		5,706,535	7,001,273
Assets classified as held for sale	10	**2,327,022**	991,688
Total current assets		**8,033,557**	7,992,961
CURRENT LIABILITIES			
Trade and bills payables	23	**1,836,766**	2,530,860
Accrued liabilities and other payables		**294,756**	562,925
Interest-bearing bank and other borrowings	24	**1,878,213**	1,927,782
Lease liabilities	15	**5,285**	7,113
Due to a jointly-controlled entity	16	**–**	6,348
Tax payable		**93,596**	97,649
		4,108,616	5,132,677
Liabilities classified as held for sale	10	**964,252**	311,688
Total current liabilities		**5,072,868**	5,444,365
NET CURRENT ASSETS		**2,960,689**	2,548,596
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,229,862**	8,784,520

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**1,065,488**	1,050,695
Other payables		**77,443**	33,632
Lease liabilities	15	**24,729**	8,531
Deferred tax liabilities	25	**58,706**	60,826
Total non-current liabilities		**1,226,366**	1,153,684
Net assets		**7,003,496**	7,630,836
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**97,356**	97,193
Reserves	28	**6,585,468**	7,465,618
		6,682,824	7,562,811
Non-controlling interests		**320,672**	68,025
Total equity		**7,003,496**	7,630,836

Wang Ya Nan
Director

Wang Hung Man
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Notes	Attributable to owners of the Company											
		Share capital HK$'000	Share premium account HK$'000	Share award reserve HK$'000	Capital reserve HK$'000 (Note 28)	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (Note 28)	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023		97,193	1,777,033	3,636	(200,960)	41,761	621,220	884	(436,599)	5,658,643	7,562,811	68,025	7,630,836
Loss for the year		–	–	–	–	–	–	–	–	(1,229,656)	(1,229,656)	24,743	(1,204,913)
Loss on property revaluation	14	–	–	–	–	(1,078)	–	–	–	–	(1,078)	–	(1,078)
Deferred tax credited to the asset revaluation reserve	25	–	–	–	–	281	–	–	–	–	281	–	281
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(114,876)	–	(114,876)	(17,881)	(132,757)
Total comprehensive expense		–	–	–	–	(797)	–	–	(114,876)	(1,229,656)	(1,345,329)	6,862	(1,338,467)
Transfer to statutory reserve		–	–	–	–	–	11,983	–	–	(11,983)	–	–	–
Share award expense	27	–	–	1,813	–	–	–	–	–	–	1,813	–	1,813
Dividends paid to non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	(7,879)	(7,879)
Net contribution from non-controlling shareholders of a subsidiary		–	–	–	460,304	–	–	–	–	–	460,304	253,664	713,968
Issue new shares under Share Award		163	3,826	(1,965)	–	–	–	–	–	–	2,024	–	2,024
Share of capital reserve movement of an associate		–	–	–	1,201	–	–	–	–	–	1,201	–	1,201
At 31 December 2023		97,356	1,780,859*	3,484*	260,545*	40,964*	633,203*	884*	(551,475)*	4,417,004*	6,682,824	320,672	7,003,496

	Notes	Attributable to owners of the Company											
		Share capital HK$'000	Share premium account HK$'000	Share award reserve HK$'000	Capital reserve HK$'000 (Note 28)	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (Note 28)	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total equity HK$'000
At 1 January 2022		97,193	1,777,033	–	(200,960)	74,025	621,220	884	302,637	5,488,150	8,160,182	61,310	8,221,492
Profit for the year		–	–	–	–	–	–	–	–	137,287	137,287	14,414	151,701
Other comprehensive income for the year:													
Gain on property revaluation	14	–	–	–	–	1,126	–	–	–	–	1,126	–	1,126
Deferred tax debited to the asset revaluation reserve	25	–	–	–	–	(184)	–	–	–	–	(184)	–	(184)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(730,980)	–	(730,980)	(7,699)	(738,679)
Release of exchange reserve upon disposal of subsidiaries	38	–	–	–	–	–	–	–	(8,256)	–	(8,256)	–	(8,256)
Total comprehensive income/(expense) for the year		–	–	–	–	942	–	–	(739,236)	137,287	(601,007)	6,715	(594,292)
Share award expense, net	27	–	–	3,636	–	–	–	–	–	–	3,636	–	3,636
Release of reserve upon disposal of subsidiaries		–	–	–	–	(33,206)	–	–	–	33,206	–	–	–
At 31 December 2022		97,193	1,777,033*	3,636*	(200,960)*	41,761*	621,220*	884*	(436,599)*	5,658,643*	7,562,811	68,025	7,630,836

* These reserve accounts comprise the consolidated reserves of HK$6,585,468,000 (2022: HK$7,465,618,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(1,153,144)**	219,003
Adjustments for:			
Finance costs		**196,782**	165,182
Share of loss of a jointly-controlled entity		**–**	30,265
Share of profits of associates		**(512)**	–
Depreciation of property, plant and equipment	13	**783,394**	886,834
Depreciation of right-of-use assets	15	**13,835**	13,015
Bank interest income	5	**(17,352)**	(16,837)
Interest income from a jointly-controlled entity	5	**(2,733)**	(2,864)
Interest income from receivables from an individual third party		**(1,539)**	–
Loss/(gain) on disposal of items of property, plant and equipment		**11,076**	(260)
Gain on inception of sublease agreements	5	**(2,781)**	–
Loss on changes in fair value of an investment property	5	**5,339**	2,331
Gain on changes in fair value of FVPL	5	**(5,037)**	–
Impairment of trade receivables	20	**9,704**	15,370
Reversal of impairment of trade receivables	20	**(393)**	(2,982)
Impairment of loan to a jointly-controlled entity	7	**25,446**	21,431
Provision against inventories	7	**336,662**	238,154
Write-off of obsolete Inventories		**1,772**	–
Gain on disposal of subsidiaries	38	**–**	(401,773)
Loss on lease termination	7	**14**	1,344
Finance income	5	**(348)**	(162)
Share award expense, net	7	**1,813**	3,636
		201,998	1,171,687
Decrease/(increase) in inventories		**588,036**	73,385
Decrease/(increase) in trade and bills receivables		**(221,859)**	837,722
Decrease/(increase) in prepayments, deposits and other receivables		**(139,011)**	104,659
Decrease in a lease receivable		**6,877**	6,422
Decrease/(increase) in amount due from a jointly-controlled entity		**(1,097)**	11,164
Decrease/(increase) in amount due from an associate		**6,269**	(6,269)
Decrease in trade and bills payables		**(178,752)**	(1,121,558)
Increase in accrued liabilities and other payables		**17,891**	1,454
Decrease in amount due to a jointly-controlled entity		**(9,266)**	(88,368)
Cash generated from operations		**271,086**	990,298
Interest paid		**(196,782)**	(165,182)
Hong Kong profits tax paid		**(5,451)**	(23,592)
Overseas taxes paid		**(61,840)**	(58,089)
Net cash flows from operating activities		**7,013**	743,435

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**21,624**	19,701
Proceeds from disposal of subsidiaries	38	**249,384**	134,294
Purchases of items of property, plant and equipment		**(285,604)**	(659,203)
Payments of right-of-use assets		**–**	(24,853)
Proceeds from disposal of items of property, plant and equipment		**36,380**	13,405
Increase in financial assets at fair value through profit or loss		**(254,397)**	–
Increase in long term deposits		**(30,736)**	(20,482)
Increase in time deposits		**(62,332)**	–
Increase in other receivables		**(40,885)**	–
Payment of termination fee upon termination of disposal of discontinued operations	10	**(60,000)**	–
Decrease in pledged bank deposits		**51,125**	188,251
Net cash flows used in investing activities		**(375,441)**	(348,887)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**2,505,120**	3,277,213
Repayment of bank loans		**(2,528,251)**	(3,590,078)
Dividend paid to non-controlling interests		**(7,879)**	–
Principal element of lease payments		**(8,169)**	(7,985)
Net consideration received from awarded shares grant under share award scheme		**–**	6,838
Net contribution from non-controlling shareholders of a subsidiary		**713,968**	–
Net cash flows from/(used in) financing activities		**674,789**	(314,012)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**306,361**	80,536
Cash and cash equivalents at beginning of year		**1,203,137**	1,366,290
Effect of foreign exchange rate changes, net		**(62,027)**	(243,689)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,447,471**	1,203,137
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	21	**1,160,490**	1,195,166
Cash and bank balances attributable to assets classified as held for sale	10	**286,981**	7,971
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,447,471**	1,203,137

1. CORPORATE AND GROUP INFORMATION

Tongda Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries and associates are set out in notes 37 and 17, respectively. Except disclosed in notes 10 and 39 to the financial statements, there were no significant changes in the nature of the principal activities of the subsidiaries and associates during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a leasehold building in Hong Kong classified as property, plant and equipment and the related right-of-use assets, an investment property, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. The non-current assets of subsidiaries classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

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

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

(a) Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 – Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

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

(c) Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

These amendments had no impact on the Group's financial statements as there were no transactions fallen within the scope of these amendments on or after the beginning of the earliest period presented.

(d) Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 statements.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease lability in a Sale and Leaseback[2]
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")[2,4]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 No mandatory date yet determined but available for adoption

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

3 Effective for annual periods beginning on of after 1 January 2025

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, 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 or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, 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 investments in associates or joint ventures.

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

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 components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

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

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 net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its leasehold building and the related right-of-use asset in Hong Kong, investment property, financial assets at fair value through profit or loss, 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 MATERIAL ACCOUNTING POLICIES *(continued)*

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, financial assets, investment properties and non-current assets of a subsidiary held for sale), 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.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment of a subsidiary is held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets of a subsidiary held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value, over the following estimated useful lives:

Leasehold building in Hong Kong	Over the lease terms
Leasehold buildings in Mainland China	Over the lease terms
Leasehold improvements	Over the lease terms or 3 – 5 years, whichever is shorter
Plant and machinery	10 – 12 years
Furniture, fixtures and office equipment	3 – 10 years
Motor vehicles	5 – 10 years

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

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

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

Construction in progress represents leasehold buildings under construction, plant and machinery and furniture and fixtures and motor vehicles which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

An investment property is an interest in a land and a building (including the leasehold property held as a right-of-use assets which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, an investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair value of an investment property are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “property, plant and equipment and depreciation” above.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Non-current assets of subsidiaries held for sale

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

Non-current assets of subsidiaries (other than investment properties and financial assets) held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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. 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 fair value or 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:

Land	Over the lease terms
Plant	Over the lease terms
Buildings	Over the lease terms

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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities

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

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

(c) Short-term leases

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

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the income statement so as to provide a constant periodic rate of return over the lease terms. When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

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

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

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

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

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

Impairment of financial assets

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

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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

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

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

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

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade and bills 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.

For lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in accrued liabilities and other payables, interest-bearing bank and other borrowings and amounts due to a jointly-controlled entity.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

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 an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries and a jointly-controlled entity, 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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

Government grants

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Research and development costs

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

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

Revenue recognition

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

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

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.

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payments

The Company operates a share option scheme and a share award scheme, 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 option pricing model.

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 income statement 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 MATERIAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(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 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.

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

The employees of the Group's 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 income statement 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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation 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 income statement is also recognised in other comprehensive income or income statement, 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 joint venture are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the 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 income statement.

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

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.

Judgement

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

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

Estimation uncertainty

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

Provision against inventories
The management of the Group reviews the condition and ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified, that are no longer suitable for use in production. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The carrying amount of inventories at 31 December 2023 was HK$1,267,254,000 (2022: HK$2,351,255,000). Further details are given in note 19.

Provision for expected credit losses on trade and bills receivables
The Group uses a provision matrix to calculate ECLs for trade receivables measured at amortised cost. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type).

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

Estimation uncertainty *(continued)*

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The carrying amount of trade and bills receivables at 31 December 2023 was HK$1,906,700,000 (2022: HK$2,159,485,000). Further details of the trade and bills receivables are given in note 20.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. Due to the decrease in contributions from the smart electrical appliances casings segment and the network communications facilities and others segment to the Group's total revenue and in line with our continuing restructuring to improve the management efficiency, the management decided to consolidate the handset casings and high-precision components segment with the smart electrical appliances casings segment and the network communications facilities and others segment during the year. The segment information for last year was re-presented on the basis of the year. The Group currently has two reportable segments as follows:

(a) the consumer electronics structural components segment consists of manufacturing of components for smart mobile communication and other electrical consumer products; and

(b) the household and sports goods segment consists of durable household goods, household utensils and sports goods.

Management monitors the results of the Group's 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/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other income and gains, net, corporate and other unallocated expenses, non-lease-related finance costs, share of profit/loss of a jointly-controlled entity and associates and impairment of loans to a jointly-controlled entity are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude an investment in a jointly-controlled entity, investments in associates, deferred tax assets, tax recoverable, loans to a jointly-controlled entity, amounts due from a jointly-controlled entity and associates, pledged deposits, cash and cash equivalents and assets classified as held for sale as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to a jointly-controlled entity, tax payable, deferred tax liabilities and liabilities classified as held for sale as these liabilities are managed on a group basis.

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

The following is an analysis of the Group's revenue and results by reportable segments:

	Consumer electronics structural components		Household and sports goods		Eliminations		Consolidated	
	2023 HK$'000	2022 HK$'000 (Re-presented)	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000 (Re-presented)	2023 HK$'000	2022 HK$'000 (Re-presented)
Segment revenue								
Sales to external customers# (note 5)	5,636,475	6,878,853	885,453	1,093,210	–	–	6,521,928	7,972,063
Intersegment sales	475	712	–	–	(475)	(712)	–	–
Total	5,636,950	6,879,565	885,453	1,093,210	(475)	(712)	6,521,928	7,972,063
Segment results before depreciation	(387,456)	1,075,208	148,349	178,035	–	–	(239,107)	1,253,243
Depreciation of property, plant and equipment	(740,050)	(846,931)	(43,344)	(39,903)	–	–	(783,394)	(886,834)
Depreciation of right-of-use assets	(10,384)	(11,902)	(3,451)	(1,113)	–	–	(13,835)	(13,015)
Segment results	(1,137,890)	216,375	101,554	137,019	–	–	(1,036,336)	353,394
Unallocated income							137,008	112,655
Corporate and other unallocated expenses							(33,789)	(30,711)
Finance cost (other than interest expenses on lease liabilities)							(195,093)	(164,639)
Share of profits of associates							512	–
Share of loss of a jointly controlled entity							–	(30,265)
Impairment of loans to a jointly controlled entity							(25,446)	(21,431)
Profit/(loss) before tax							(1,153,144)	219,003
Income tax expense							(51,769)	(67,302)
Profit/(loss) for the year							(1,204,913)	151,701
Other segment information:								
Impairment losses/provision recognised in the income statement, net*	(342,781)	(248,791)	(3,585)	(4,733)	–	–	(346,366)	(253,524)
Impairment losses reversed in the income statement**	12	2,982	381	–	–	–	393	2,982
Gain on disposal of subsidiaries	–	401,773	–	–	–	–	–	401,773
Capital expenditure***	153,031	418,011	44,145	176,107	–	–	197,176	594,118

Sales to external customers are also revenue from contracts with customers.

* Included impairment of trade receivables and provision against inventories.

** Included reversal of impairment of trade receivables.

*** Capital expenditure consists of additions to property, plant and equipment and leasehold land recognised in right-of-use assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

	Consumer electronics structural components		Household and sports goods		Eliminations		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**7,942,454**	10,407,982	**1,255,076**	874,035	**–**	–	**9,197,530**	11,282,017
Assets classified as held for sale							**2,327,022**	991,688
Unallocated assets							**1,778,178**	1,955,180
Total assets							**13,302,730**	14,228,885
Segment liabilities	**1,958,597**	2,896,465	**280,382**	246,596	**–**	–	**2,238,979**	3,143,061
Liabilities classified as held for sale							**964,252**	311,688
Unallocated liabilities							**3,096,003**	3,143,300
Total liabilities							**6,299,234**	6,598,049

Geographical information

	PRC*		Asia Pacific (excluding PRC)		United States		Europe		Others		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000 (Re-presented)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Re-presented)
(a) Revenue from customers												
Segment revenue:												
Sales to external customers#	**5,178,111**	6,583,245	**442,535**	374,263	**40,570**	255,458	**383,164**	471,364	**477,548**	287,733	**6,521,928**	7,972,063
(b) Non-current assets	**5,137,509**	6,112,832	**–**	–	**–**	–	**–**	–	**–**	–	**5,137,509**	6,112,832

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

* The People's Republic of China ("PRC") includes Hong Kong and Macau.

Sales to external customers are also revenue from contracts with customers.

The non-current assets information above is based on the locations of the assets and excludes an investment in a jointly-controlled entity, investments in associates and deferred tax assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

Revenues from the following customers contributed over 10% of the total sales to the Group:

	2023 HK$'000	2022 HK$'000
Customer A	**1,046,652**	1,350,676
Customer B	**987,652**	1,119,216
	2,034,304	2,469,892

Revenues from Customer A and B were mainly derived from sales by the consumer electronics structural components segment, including sales to a group of entities which are known to be under common control of the respective customers.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000 (Re-presented)
Revenue from contracts with customers		
Sale of goods	**6,521,928**	7,972,063

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**20,608**	18,147

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

As at 31 December 2023, contract liabilities of HK$11,934,000 (2022: HK$20,608,000) was included in the "accrued liabilities and other payables".

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

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

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

	2023 HK$'000	2022 HK$'000 (Re-presented)
Other income and gains, net		
Bank interest income	17,352	16,837
Interest income from a jointly-controlled entity	2,733	2,864
Interest income from receivables from an individual third party#	1,539	–
Utilities income	13,443	6,931
Sale of scrap materials	6,630	18,274
Government grants*	71,475	47,455
Finance income	348	162
Changes in fair value of an investment property	(5,339)	(2,331)
Rental income	10,706	14,601
Gain on inception of sublease agreements	2,781	–
Gain on changes in fair value of FVTPL	5,037	–
Gain on disposal of FVTPL	5,684	–
Others	4,619	7,862
	137,008	112,655

* Various government grants have been received for setting up research activities. There are no unfulfilled conditions or contingencies relating to these grants.

\# Included in assets classified as held for sales an amount of HK$40,885,000 due from an individual third party which was secured by the entire issued share capital of this individual third party, bearing a fixed annual interest rate of 10% and repayable on demand.

6. FINANCE COSTS

	2023 HK$'000	2022 HK$'000 (Re-presented)
Interest expenses on bank and other borrowings	181,689	146,441
Interest expenses on discounted bills	13,404	18,198
Interest expenses on lease liabilities	1,689	543
	196,782	165,182

7. PROFIT/(LOSS) BEFORE TAX

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

	2023 HK$'000	2022 HK$'000 (Re-presented)
Cost of inventories sold	**6,176,145**	6,742,321
Depreciation of property, plant and equipment	**783,394**	886,834
Depreciation of right-of-use assets	**13,835**	13,015
Research and development costs	**627,818**	530,386
Lease payments not included in the measurement of lease liabilities	**37,366**	48,577
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**1,534,050**	2,033,145
Pension scheme contributions*	**112,591**	106,175
Equity-settled share award expense, net	**1,813**	3,636
Less: Amounts included in research and development costs	**(243,171)**	(232,737)
	1,405,283	1,910,219
Auditor's remuneration	**3,390**	5,780
Loss/(gain) on disposal of items of property, plant and equipment***	**11,076**	(261)
Foreign exchange differences, net***	**12,793**	62,042
Changes in fair value of an investment property**	**5,339**	2,331
Loss on lease termination***	**14**	1,344
Impairment of trade receivables***	**9,704**	15,370
Reversal of impairment of trade receivables***	**(393)**	(2,982)
Provision against inventories	**336,662**	238,154
Impairment of loans to a jointly-controlled entity***	**25,446**	21,431

Cost of inventories sold includes HK$1,862,060,000 (2022: HK$2,445,725,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against inventories, and depreciation of property, plant and equipment and right-of-use assets, which are also included in the respective total amounts disclosed above for each of these types of expenses.

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

** This amount is included in "Other income and gains, net" on the face of the consolidated income statement.

*** These amounts are included in "Other operating expenses, net" on the face of the consolidated income statement.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to 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:

	Group	
	2023	2022
	HK$'000	HK$'000
Fees	**5,000**	5,800
Other emoluments:		
Salaries, allowances and benefits in kind	**5,440**	4,105
Discretionary bonus	**–**	5,610
Pension scheme contributions	**93**	147
	5,533	9,862
	10,533	15,662

(a) Independent non-executive directors

	Fees	**Total remuneration**
	HK$'000	**HK$'000**
2023		
Mr. Ting Leung Huel, Stephen	**360**	**360**
Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*	**300**	**300**
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	**300**	**300**
Mr. Sze Irons, *BBS, JP**	**200**	**200**
	1,160	**1,160**

* Appointed on 29 May 2023

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(continued)*

(a) Independent non-executive directors (continued)

	Fees HK$'000	Total remuneration HK$'000
2022		
Mr. Ting Leung Huel, Stephen	360	360
Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*	300	300
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	300	300
	960	960

(b) Executive directors and non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2023				
Executive directors:				
Mr. Wang Ya Nan	1,440	360	21	1,821
Mr. Wang Hung Man	–	1,774	–	1,774
Mr. Wong Ming Yuet	600	894	18	1,512
Mr. Wong Ming Sik	1,200	360	18	1,578
Mr. Hui Wai Man	–	2,052	18	2,070
	3,240	5,440	75	8,755
Non-executive director:				
Ms. Chan Sze Man	600	–	18	618
	600	–	18	618
	3,840	5,440	93	9,373

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(continued)*

(b) *Executive directors and non-executive director (continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2022					
Executive directors:					
Mr. Wang Ya Nan	1,440	360	–	60	1,860
Mr. Wang Hung Man	1,000	726	1,870	15	3,611
Mr. Wong Ming Yuet	600	779	1,870	18	3,267
Mr. Wong Ming Sik	1,200	360	1,870	18	3,448
Mr. Hui Wai Man	–	1,880	–	18	1,898
	4,240	4,105	5,610	129	14,084
Non-executive director:					
Ms. Chan Sze Man	600	–	–	18	618
	600	–	–	18	618
	4,840	4,105	5,610	147	14,702

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

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

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

	2023	2022
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,703**	2,793
Pension scheme contributions	**166**	86
	4,869	2,879

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

	Number of employees	
	2023	2022
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	–
	2	1

9. 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 Tongda Precision Technology Company Limited ("Tongda Precision Technology"), a wholly-owned subsidiary of the Company, which is a qualifying entity under the two-tier profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of Tongda Precision Technology 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 operates, based on existing legislation, interpretations and practices in respect thereof.

	2023	2022
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**9,760**	35,856
Underprovision in prior years	**375**	2,464
	10,135	38,320
Current – Elsewhere		
Charge for the year	**50,928**	61,515
Underprovision/(overprovision) in prior years	**1**	(27,178)
	50,929	34,337
Deferred	**(9,295)**	(5,355)
Total tax charge for the year	**51,769**	67,302

9. INCOME TAX EXPENSE *(continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the applicable statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries operate to the tax expense at the effective tax rate is as follows:

	2023 HK$'000	2022 HK$'000 (Re-presented)
Profit/(loss) before tax	**(1,153,144)**	219,003
Tax at the applicable tax rates	**(257,099)**	113,819
Lower applicable tax rates enjoyed by the Group	**(52,414)**	(135,460)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**440**	19,104
Adjustments in respect of current tax of prior years	**376**	(24,714)
Loss attributable to a jointly-controlled entity	**–**	7,566
Profit attributable to associates	**(128)**	–
Income not subject to tax	**(42,381)**	(45,206)
Expenses not deductible for tax	**206,922**	81,888
Tax losses utilised from previous years	**(33,284)**	(14,934)
Tax losses not recognised	**229,337**	65,239
Tax charge at the effective rate	**51,769**	67,302

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

During the years ended 31 December 2023 and 2022, certain subsidiaries of the Group were subject to a preferential tax rate of 15% under High New Technology Enterprises.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(a) On 30 December 2022, the Company as a vendor and an independent third party as a purchaser (the "Purchaser") entered into a memorandum of understanding to dispose of the smart electrical appliances casing business (the "EA business") under 福建省石獅市通達電器有限公司 (the "EA Disposal"). On 29 March 2023, Tong Da Development (BVI) Limited, a wholly-owned subsidiary of the Company as the vendor (the "Vendor"), and the Purchaser entered into sale and purchase agreement (the "SPA") on the EA Disposal to dispose of Stedfast Investments Holdings Limited, an indirect wholly-owned subsidiary of the Company and whom, together with its subsidiaries, will be the sole entities in the Group carrying on the EA business immediately before the completion of the EA Disposal. As at 31 December 2022, the assets and liabilities to be disposed of were classified as assets and liabilities held for sale.

The major classes of assets and liabilities of the EA business classified as held for sale as at 31 December 2022 are as follows:

	2022 HK$'000
Assets	
Property, plant and equipment	104,426
Long term deposits	32,806
Inventories	443,710
Trade and bills receivables	306,985
Prepayments, deposits and other receivables	72,168
Pledged deposits	23,622
Cash and cash equivalents	7,971
Assets classified as held for sale	991,688
Liabilities	
Trade and bills payables	115,514
Accrued liabilities and other payables	34,702
Interest-bearing bank and other borrowings	161,472
Liabilities classified as held for sale	311,688
Net assets classified as held for sale	680,000

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *(continued)*

(a) *(continued)*

On 13 October 2023, the Vendor and the Purchaser entered into a termination agreement (the "Termination Agreement") to terminate the SPA with effect from the date of the Termination Agreement due to: (1) the Group planned to focus on the High Precision Disposal (as defined as below), the proposal of which was received on April 2023; and (2) the improvement in the outlook of the industry of the EA business. Pursuant to the Termination Agreement, the Vendor shall pay a termination fee in the amount of HK$120,000,000, comprising the refund of the deposit in the amount of HK$60,000,000 initially paid by the Purchaser to the Vendor pursuant to the SPA and a cash payment in the amount of HK$60,000,000 in respect of the termination of the SPA. Details of the termination of the EA disposal and the reason and benefits of the termination are set out in the announcements of the Company dated 13 October 2023 and 27 December 2023. As such, the assets and liabilities to be disposed of in relation to the EA business were ceased to be classified as held for sale for the year ended 31 December 2023.

(b) On 22 December 2023, Tongda Precision Technology Company Limited, a wholly-owned subsidiary of the Company as a seller, an independent third party as a purchaser, and the Company as the guarantor, entered into a business transfer agreement (the "BTA") whereby the Group agreed to dispose of the business of manufacturing high-precision micro components (the "High Precision Business") as currently conducted by the Group for a consideration of HK$2,015,000,000 (the "High Precision Disposal"). Further details of the High Precision Disposal are set out in the announcement of the Company dated 22 December 2023 and the circular dated 19 February 2024. Following satisfaction or waiver of all the conditions precedent to the BTA, the closing is expected to take place in first half of 2024. Accordingly, the assets and liabilities of the High Precision Business as at 31 December 2023 were classified as assets and liabilities held for sale.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *(continued)*

(b) *(continued)*

The major classes of assets and liabilities of the High Precision Business classified as held for sale as at 31 December 2023 are as follows:

	2023 HK$'000
Assets	
Property, plant and equipment	457,303
Right-of-use assets	1,558
Long term deposits	5,412
Inventories	601,240
Trade and bills receivables	772,318
Prepayments, deposits and other receivables	96,994
Tax recoverable	4,151
Pledged deposits	101,065
Cash and cash equivalents	286,981
Assets classified as held for sale	2,327,022
Liabilities	
Trade and bills payables	630,857
Accrued liabilities and other payables	160,723
Interest-bearing bank and other borrowings	160,583
Lease liabilities	1,535
Tax payable	10,554
Liabilities classified as held for sale	964,252
Net assets classified as held for sale	1,362,770

11. DIVIDENDS

On 27 March 2024, the Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

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

	2023 **HK$'000**	2022 HK$'000
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted profit/(loss) per share	**(1,229,656)**	137,287

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted profit/(loss) per share	**9,729,919**	9,719,258

No adjustment has been made to the basic profit/(loss) per share amount presented for the year ended 31 December 2023 and 2022 in respect of a dilution as the impact of the award shares has anti-dilutive effect.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building in Hong Kong HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2023								
Cost or valuation:								
At 1 January 2023	23,000	1,192,749	893,298	7,140,815	225,289	47,756	246,182	9,769,089
Additions	–	1,960	35,506	19,226	19,292	3,030	118,162	197,176
Surplus on revaluation	10,100	–	–	–	–	–	–	10,100
Written-off	–	–	(17)	(11,470)	(415)	(5)	–	(11,907)
Disposals	–	–	(16,683)	(133,905)	(8,349)	(3,950)	–	(162,887)
Transfer	–	305	78,576	145,426	23,020	2,457	(249,784)	–
Transfer from right-of-use assets (note 15(a))	–	2,845	–	–	–	–	–	2,845
Transfer from assets classified as held for sale	–	–	2,284	227,656	951	496	–	231,387
Transfer to assets classified as held for sale (note 10(b))	–	–	(130,465)	(826,046)	(94,950)	(1,655)	(19,816)	(1,072,932)
Exchange realignment	–	(13,960)	(11,592)	(112,290)	(13,442)	(436)	(3,028)	(154,748)
At 31 December 2023	33,100	1,183,899	850,907	6,449,412	151,396	47,693	91,716	8,808,123
Accumulated depreciation:								
At 1 January 2023	–	300,307	413,365	3,260,194	163,303	34,315	–	4,171,484
Provided for the year	863	33,416	105,858	612,234	27,607	3,416	–	783,394
Written-off	–	–	(17)	(9,782)	(260)	(5)	–	(10,064)
Disposals	–	–	(10,876)	(94,729)	(8,273)	(3,397)	–	(117,275)
Reversal upon revaluation	(863)	–	–	–	–	–	–	(863)
Transfer from assets classified as held for sale	–	–	–	127,206	487	80	–	127,773
Transfer to assets classified as held for sale (note 10(b))	–	–	(107,803)	(444,972)	(61,996)	(858)	–	(615,629)
Exchange realignment	–	(4,212)	(5,821)	(57,264)	(15,181)	(437)	–	(82,915)
At 31 December 2023	–	329,511	394,706	3,392,887	105,687	33,114	–	4,255,905
Net book value:								
At 31 December 2023	33,100	854,388	456,201	3,056,525	45,709	14,579	91,716	4,552,218

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

	Leasehold building in Hong Kong HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2022								
Cost or valuation:								
At 1 January 2022	27,900	1,179,051	880,928	7,844,246	236,852	51,397	239,323	10,459,697
Additions	–	69,203	67,951	119,148	15,993	729	296,242	569,266
Deficit on revaluation	(4,900)	–	–	–	–	–	–	(4,900)
Disposals	–	–	(2,732)	(51,938)	(1,912)	(828)	(501)	(57,911)
Disposal of subsidiaries (note 38)	–	–	(3,952)	(60,141)	(542)	(209)	–	(64,844)
Transfer	–	36,789	31,142	196,410	(2,931)	1,427	(262,837)	–
Transfer to assets classified as held for sale (note 10(a))	–	–	(2,302)	(229,442)	(959)	(500)	–	(233,203)
Exchange realignment	–	(92,294)	(77,737)	(677,468)	(21,212)	(4,260)	(26,045)	(899,016)
At 31 December 2022	23,000	1,192,749	893,298	7,140,815	225,289	47,756	246,182	9,769,089
Accumulated depreciation:								
At 1 January 2022	–	293,265	326,437	3,005,600	142,498	34,342	–	3,802,142
Provided for the year	728	33,591	118,098	695,582	35,204	3,631	–	886,834
Disposals	–	–	(11)	(42,456)	(1,688)	(611)	–	(44,766)
Disposal of subsidiaries (note 38)	–	–	(891)	(719)	–	–	–	(1,610)
Reversal upon revaluation	(728)	–	–	–	–	–	–	(728)
Transfer to assets classified as held for sale (note 10(a))	–	–	–	(128,204)	(491)	(82)	–	(128,777)
Exchange realignment	–	(26,549)	(30,268)	(269,609)	(12,220)	(2,965)	–	(341,611)
At 31 December 2022	–	300,307	413,365	3,260,194	163,303	34,315	–	4,171,484
Net book value:								
At 31 December 2022	23,000	892,442	479,933	3,880,621	61,986	13,441	246,182	5,597,605

Except for the leasehold building in Hong Kong which is stated at valuation, all other property, plant and equipment are stated at cost less depreciation.

The Group's leasehold building and the related right-of-use asset situated in Hong Kong were revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK$47,900,000 (2022: HK$50,200,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong and the related right-of-use asset is its highest and best use.

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

A revaluation deficit of HK$1,078,000 (2022: revaluation surplus of HK$1,126,000), resulting from the above valuation, has been debited (2022: credited) to other comprehensive income. Further details of the fair value measurement of the Group's leasehold building situated in Hong Kong are disclosed in note 14 below.

Had the Group's leasehold building and the related right-of-use asset situated in Hong Kong been carried at historical cost less accumulated depreciation, the carrying amount would have been approximately HK$8,553,000 (2022: HK$8,811,000).

As at 31 December 2023, the Group's leasehold building and the related right-of-use asset in Hong Kong with a net carrying amount of HK$47,900,000 (2022: HK$50,200,000) were pledged to secure bank loans granted to the Group (note 24).

As at 31 December 2023, the Group had not yet obtained the title ownership certificates for certain of its buildings situated in Shishi city, Fujian and Dongguan (2022: Shishi City, Fujian and Dongguan), the PRC with net book values of HK$88,154,000 and HK$18,240,000, respectively (2022: HK$96,307,000 and HK$19,606,000, respectively). The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

14. INVESTMENT PROPERTY

	2023 **HK$'000**	2022 HK$'000
Carrying amount at 1 January	**81,166**	91,176
Change in fair value	**(5,339)**	(2,331)
Exchange realignment	**(1,048)**	(7,679)
Carrying amount at 31 December	**74,779**	81,166

The Group's investment property in Shenzhen was revalued on 31 December 2023 based on valuations performed by Asset Appraisal Ltd. at RMB67,600,000, equivalent to HK$74,779,000 (2022: RMB72,400,000, equivalent to HK$81,166,000). In the opinion of the directors, the current use of the investment property in Shenzhen is its highest and best use.

14. INVESTMENT PROPERTY *(continued)*

Valuation processes for the leasehold building in Hong Kong and the investment property

The Group's finance department includes a team which directly reports to senior management and reviews the valuations performed by the external valuers for financial reporting purposes. Each year, senior management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties, including a leasehold building situated in Hong Kong for own use and an investment property in Shenzhen. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's team has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold building situated in Hong Kong for own use (note 13) and an investment property in Shenzhen:

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Leasehold building in Hong Kong for own use (note (a))	–	–	33,100	33,100
Right-of-use asset (note (a))	–	–	14,800	14,800
Investment property in Shenzhen (note (b))	–	–	74,779	74,779
	–	–	122,679	122,679

14. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Leasehold building in Hong Kong for own use (note (a))	–	–	23,000	23,000
Right-of-use asset (note (a))	–	–	27,200	27,200
Investment property in Shenzhen (note (b))	–	–	81,166	81,166
	–	–	131,366	131,366

During 2023 and 2022, there were no transfers of fair value measurements between Level 1, Level 2 and Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Leasehold building and the related right-of-use asset HK$'000	Investment property HK$'000
Net carrying amount at 1 January 2022	50,300	91,176
Depreciation	(1,226)	–
Gain/(loss) from a fair value adjustment recognised in:		
— Other comprehensive income in the statement of comprehensive income	1,126	–
— Other income and gains, net, in the income statement	–	(2,331)
Exchange realignment	–	(7,679)
Net carrying amount at 31 December 2022 and 1 January 2023	**50,200**	**81,166**
Depreciation	**(1,222)**	**–**
Loss from a fair value adjustment recognised in:		
— Other comprehensive expense in the statement of comprehensive income	**(1,078)**	**–**
— Other income and gains, net, in the income statement	**–**	**(5,339)**
Exchange realignment	**–**	**(1,048)**
Net carrying amount at 31 December 2023	**47,900**	**74,779**

14. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of a leasehold building and the related right-of-use asset in Hong Kong and an investment property:

	Valuation technique	Significant unobservable inputs	Range 2023	Range 2022
Leasehold building and the related right-of-use asset in Hong Kong for own use	Direct comparison approach	Market transaction price (per square foot)	**HK$17,174 to HK$22,860**	HK$20,503 to HK$24,497
		Adjustment on quality of the building	**2% to 11%**	3% to 11%
Investment property	Income capitalisation approach	Average unit market rent per month (HK$/square meter)	**HK$26.55 to HK$32.52**	HK$26.91 to HK$36.94
		Discount factor	**7.6%**	7.0%

Notes:

(a) The valuation of the leasehold building and the related right-of-use asset in Hong Kong for own use was determined using the direct comparison approach. The most significant inputs to this valuation approach are the market transaction price of comparable properties nearby and the adjustment on quality of the building.

The fair value measurement is positively correlated to the market transaction price and negatively correlated to the adjustment on quality of the building.

(b) The valuation of the investment property in Shenzhen was determined using the income capitalisation approach. The average unit market rent per month (HK$/square meter) of comparable properties nearby with a discount factor of 7.6% (2022: 7.0%) was used in the determination of the fair value of the investment property. The most significant inputs to this valuation approach are the average unit market rent per month per square meter and the discount factor.

The fair value measurement is positively correlated to the average unit market rent per month per square meter and negatively correlated to the discount factor.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings used in its operations. Lump sum payments were made upfront to lease certain pieces of land from the owners with lease periods of 33 to 50 years. Leases of plant generally have lease terms between 2 and 6 years, while buildings generally have lease terms between 2 and 10 years.

(a) *Right-of-use assets*

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

	Leasehold land	Plant	Buildings	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2022	386,583	16,933	3,442	406,958
Additions	24,852	6,371	2,669	33,892
Lease termination	–	(11,507)	–	(11,507)
Depreciation charge	(9,377)	(2,138)	(1,500)	(13,015)
Derecognition for subleases	–	(4,935)	(3,495)	(8,430)
Surplus on revaluation	4,800	–	–	4,800
Reversal of accumulated depreciation to revaluation reserve	498	–	–	498
Exchange realignment	(30,916)	(379)	(141)	(31,436)
As at 31 December 2022 and 1 January 2023	**376,440**	**4,345**	**975**	**381,760**
Additions	**–**	**23,635**	**1,806**	**25,441**
Lease termination	**–**	**–**	**(1,292)**	**(1,292)**
Depreciation charge	**(9,060)**	**(3,871)**	**(904)**	**(13,835)**
Deficit on revaluation	**(12,400)**	**–**	**–**	**(12,400)**
Reversal of accumulated depreciation to revaluation reserve	**358**	**–**	**–**	**358**
Transfer to property, plant and equipments (note 13)	**(2,845)**	**–**	**–**	**(2,845)**
Transfer to assets classified as held for sale (note 10(b))	**–**	**(112)**	**(1,446)**	**(1,558)**
Exchange realignment	**(4,617)**	**(282)**	**1,073**	**(3,826)**
As at 31 December 2023	**347,876**	**23,715**	**212**	**371,803**

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) *Lease liabilities*

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

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**15,644**	25,922
New leases	**25,441**	9,040
Lease termination	**(1,278)**	(10,163)
Accretion of interest recognised during the year	**1,689**	543
Payments	**(9,858)**	(8,528)
Transfer to liabilities held for sale (note 10(b))	**(1,535)**	–
Exchange realignment	**(89)**	(1,170)
Carrying amount at 31 December	**30,014**	15,644
Analysed into:		
Current portion	**5,285**	7,113
Non-current portion	**24,729**	8,531

The maturity analysis of lease liabilities is disclosed in note 35 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 expenses on lease liabilities	**1,689**	543
Depreciation charge of right-of-use assets	**13,835**	13,015
Loss on lease termination	**14**	1,344
Expense relating to short-term leases (included in cost of sales and general and administrative expenses)	**101,424**	48,577
Total amount recognised in profit or loss	**116,962**	63,479

(d) The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

As at 31 December 2023, the Group had not yet obtained the land use right certificate of certain land use rights acquired situated in Shishi City, Fujian, the PRC with net book value of HK$2,243,000 (2022: HK$2,326,000). The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant land use right certificate from the relevant PRC authority.

15. LEASES *(continued)*

The Group as a lessor

(a) *Finance lease arrangement*

The Group subleases certain of its plant and building in the PRC. The terms of the lease generally require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Finance income on the subleases recognised by the Group during the year was HK$348,000 (2022: HK$162,000).

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

	2023 **HK$'000**	2022 HK$'000
Within one year	**3,791**	5,515
After one year but within two years	**–**	3,251
Gross investment in leases	**3,791**	8,766
Less: Unearned finance income	**(52)**	(336)
Lease receivable	**3,739**	8,430
Less: Non-current portion	**–**	(3,202)
Current portion	**3,739**	5,228

(b) *Operating lease arrangement*

The Group leases its investment property (note 14), which is a property in Shenzhen, under operating lease arrangement. The terms of the lease generally require the tenant to pay security deposit and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2023 **HK$'000**	2022 HK$'000
Within one year	**6,637**	94,170
After one year but within two years	**–**	6,726
	6,637	100,896

16. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Notes	2023 HK$'000	2022 HK$'000
Share of net assets		–	–
Loans to a jointly-controlled entity	(a)	216,802	219,719
Less: Impairment		(46,877)	(21,431)
		169,925	198,288
Due from a jointly-controlled entity	(b)	112,922	105,989
Due to a jointly-controlled entity	(b)	–	6,348

Notes:

(a) The loans to a jointly-controlled entity of HK$169,925,000 (2022: HK$198,288,000) are unsecured, bear interest at 2% (2022: 2%) per annum and are repayable on demand. During the year ended 31 December 2023, an impairment of HK$25,446,000 (2022: HK$21,431,000) is recognised on the loans with reference to the financial position of the jointly controlled entity.

(b) The amounts due from/to a jointly-controlled entity are unsecured, interest-free and repayable on demand.

Particulars of the jointly-controlled entity are as follows:

Name	Place of incorporation/ registration and business	Particulars of issued capital held	Percentage of ownership interest indirectly attributable to the Group 2023	2022	Principal activities
石獅市通達精雕制造有限公司 ("Jingdiao")	PRC/Mainland China	Registered RMB50,000,000	50	50	Manufacture and sale of electrical appliance products

As at 31 December 2023 and 2022, the Group's shareholding in Jingdiao was held through a wholly-owned subsidiary of the Company.

Jingdiao, which is considered a material jointly-controlled entity of the Group, acts as the Group's sub-contractor of the manufacture of electronic components in Mainland China and is accounted for using the equity method.

16. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(continued)*

The following table illustrates the summarised financial information in respect of Jingdiao adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2023	2022
	HK$'000	HK$'000
Current assets	**166,114**	163,581
Non-current assets	**386,224**	428,062
Current liabilities	**(624,655)**	(613,068)
Net liabilities	**(72,317)**	(21,425)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**37,997**	15,558
Current financial liabilities (excluding creditors, other payables and accruals)	**143,456**	130,180
Reconciliation to the Group's interest in the jointly-controlled entity:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the jointly-controlled entity, excluding goodwill*	**–**	–
Carrying amount of the investment	**–**	–
Revenue	**226,903**	155,278
Loss for the year	**(51,461)**	(84,190)
Other comprehensive expense	**(6,212)**	(3,403)
Total comprehensive expense for the year	**(57,673)**	(87,593)
The above loss and total comprehensive expense for the year include the following:		
Interest income	**382**	31
Interest expense	**5,009**	6,041
Depreciation and amortisation	**42,069**	42,290

17. INVESTMENTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Share of net assets	**93,930**	92,814
Goodwill	**26,575**	26,575
	120,505	119,389
Amount due from an associate	**–**	6,269
	120,505	125,658

Further to the completion the disposal of 70% of the equity interest in Tongda Overseas Company Limited ("Tongda Overseas"), a wholly-owned subsidiary of the Company as detailed in note 38 to the financial statements, on 28 December 2022, Tongda Overseas and its subsidiaries became associates of the Group accordingly.

As at 31 December 2022, the amount due from an associate was unsecured, non-interest bearing and with no fixed term of repayment. The carrying amount of amount due by an associate approximates its fair value.

17. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the material associates are as follows:

Name	Particular of issued share/capital held	Place incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			2023	2022	
Tongda Overseas Company Limited	Ordinary shares	British Virgin Islands ("BVI")	30%	30%	Investment holding
Shishi Guangheng New Energy Technology Co., Ltd. 石獅市廣恒新能源科技有限公司	Paid-up capital	PRC/ Mainland China	30%	30%	The manufacturing of interior decorative parts of automotive and the aluminum battery components for electric motor vehicles

As at 31 December 2023 and 2022, the Group's shareholding in Tongda Overseas was held through a wholly-owned subsidiary of the Company.

Tongda Overseas, together with its subsidiaries (collectively "Tongda Overseas Group") which is considered material associates of the Group, engaged in the manufacturing of interior decorative parts of automotive and the aluminum battery components for electric motor vehicles and is accounted for using the equity method.

17. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information in respect of Tongda Overseas Group, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 HK$'000	2022 HK$'000
Current assets	**229,641**	83,664
Non-current assets, excluding goodwill	**282,030**	301,467
Goodwill	**88,582**	88,582
Current liabilities	**(143,755)**	(13,897)
Non-current liabilities	**(54,816)**	(61,853)
Net assets	**401,682**	397,963
Net assets, excluding goodwill	**313,100**	309,381
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the associate, excluding goodwill	**93,930**	92,814
Goodwill	**26,575**	26,575
Carrying amount of the investment	**120,505**	119,389
Revenue	**534,494**	–
Profit for the year	**1,708**	–
Other comprehensive expense for the year	**(1,993)**	–
Total comprehensive expense for the year	**(285)**	–

18. LONG TERM DEPOSITS

	2023 HK$'000	2022 HK$'000
Deposits for acquisitions of property, plant and equipment	**76,377**	49,099

19. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**234,968**	405,428
Work in progress	**397,914**	507,533
Finished goods	**634,372**	1,438,294
	1,267,254	2,351,255

As at 31 December 2023, moulds of HK$210,960,000 (2022: HK$583,944,000) are included in the finished goods.

20. TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**1,726,098**	2,109,103
Impairment allowances	**(52,687)**	(39,027)
	1,673,411	2,070,076
Bills receivable	**233,289**	89,409
	1,906,700	2,159,485

As at 31 December 2023, HK$467,251,000 of gross trade receivables of certain customers (2022: HK$268,077,000) and bills receivable of HK$129,268,000 (2022: HK$2,949,000) were measured at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

It is the general policy of the Group to allow a credit period of one to three months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing. At the end of the reporting period, 17.1% (2022: 21.7%) and 45.0% (2022: 43.7%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

20. TRADE AND BILLS RECEIVABLES *(continued)*

An ageing analysis of the Group's trade and bills receivables as at 31 December 2023, based on the invoice date and issuance date, is as follows:

	2023 HK$'000	2022 HK$'000
Within 3 months	**1,801,875**	1,992,724
4 to 6 months, inclusive	**104,246**	164,239
7 to 9 months, inclusive	**4,213**	3,145
10 to 12 months, inclusive	**2,998**	5,934
More than 1 year	**46,055**	32,470
	1,959,387	2,198,512
Impairment allowances	**(52,687)**	(39,027)
	1,906,700	2,159,485

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

	2023 HK$'000	2022 HK$'000
At 1 January	**39,027**	44,151
Impairment of trade receivables	**9,704**	15,370
Reversal of impairment of trade receivables	**(393)**	(2,982)
Write-off of impairment of trade receivables	**(888)**	(9,424)
Transfer to assets classified as held for sale	**(320)**	(5,957)
Transfer from assets classified as held for sale	**5,957**	–
Exchange realignment	**(400)**	(2,131)
At 31 December	**52,687**	39,027

The increase (2022: decrease) in the loss allowance was mainly due to the following changes in the gross carrying amount:

(a) Decrease in the loss allowance of HK$393,000 (2022: HK$2,982,000) as a result of a net decrease in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables;

(b) Increase in the loss allowance of HK$9,704,000 (2022: HK$15,370,000) as a result of an increase in trade receivables which were past due for over 6 months;

(c) Decrease in the loss allowance of HK$888,000 (2022: HK$9,424,000) as a result of the write-off of certain trade receivables;

(d) HK$320,000 (2022: HK$5,957,000) loss allowance was transferred to assets classified as held for sale; and

(e) HK$5,957,000 (2022: nil) loss allowance was transferred from assets classified as held for sale.

20. TRADE AND BILLS RECEIVABLES *(continued)*

An impairment analysis is performed at the reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). 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.

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

As at 31 December 2023

		Past due					
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	More than 1 year	Total
Expected credit loss rate	0.15%	1.63%	1.28%	100.0%	100.0%	100.0%	3.05%
Gross carrying amount (HK$'000)	1,577,200	93,447	6,810	248	3,662	44,731	1,726,098
Expected credit loss (HK$'000)	2,436	1,523	87	248	3,662	44,731	52,687

As at 31 December 2022

		Past due					
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	More than 1 year	Total
Expected credit loss rate	–	–	88.9%	100%	100%	100%	1.85%
Gross carrying amount excluding specific trade receivable (HK$'000)	1,940,572	124,152	2,942	3,018	1,570	31,826	2,104,080
Expected credit loss excluding specific trade receivable (HK$'000)	–	–	2,616	3,018	1,570	31,823	39,027
Gross carrying amount of specific trade receivable (HK$'000)	–	–	–	–	5,023	–	5,023

21. TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

Time deposits

Time deposits of HK$62,332,000 (2022: Nil) classified as non-current assets are deposits with banks with a maturity period of more than twelve months at the date of inception and will mature after twelve months from the end of the reporting period. The time deposits carry interest at prevailing market rate ranging from 2.70% to 3.55% per annum as at 31 December 2023.

Pledged bank deposits

As at 31 December 2023, there are pledged bank deposits of HK$194,648,000 (2022: HK$323,216,000). The Group's pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged bank deposits carry interest at floating rates based on daily bank deposit rates or earn interest as short term deposits from three to six months (2022: three to six months) at the respective short term time deposit rate.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash. Bank balances earn interest at floating rate based on daily bank deposit rates. At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to HK$882,337,000 (2022: HK$562,964,000). RMB is not freely convertible into other currencies. 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.

The time deposits, pledged bank deposits and bank balances are deposited with creditworthy banks with no recent history of default.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	2023	2022
	HK$'000	HK$'000
Structured deposits	**259,434**	–

The Group entered into deposit placement with banks in the PRC. The bank guaranteed 100% of the invested principal amount and returns of which are determined by reference to the change in certain exchange rates or index in certain capital market quoted in the market as specified in the relevant agreements.

As at 31 December 2023

Principal amount	**Maturity**	**Annual coupon rate**
RMB10,000,000 (equivalent to HK$11,062,000)	19 February 2024	from 1.95% to 2.85%
RMB90,000,000 (equivalent to HK$99,558,000)	12 April 2024	from 1.80% to 2.77%
RMB130,000,000 (equivalent to HK$143,805,000)	17 April 2024	from 1.50% to 3.00%

Because the contractual cash flows of the structured deposits do not represent solely the payments of principal and interest on the principal amount outstanding, structured deposits are measured at FVTPL. Details of the fair value measurement over the structured deposits at FVTPL are disclosed in note 33.

23. TRADE AND BILLS PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**1,057,139**	1,224,700
Bills payable	**779,627**	1,306,160
	1,836,766	2,530,860

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days' terms. An ageing analysis of the Group's trade and bills payables as at 31 December 2023, based on the invoice date and issuance date, is as follows:

	2023 HK$'000	2022 HK$'000
Within 3 months	**1,386,891**	1,720,621
4 to 6 months, inclusive	**374,416**	749,442
7 to 9 months, inclusive	**10,400**	24,187
10 to 12 months, inclusive	**5,717**	5,840
More than 1 year	**59,342**	30,770
	1,836,766	2,530,860

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loans, unsecured	1.65%-2.9%	2024	129,266	1.13%-3.96%	2023	49,896
Current portion of long term bank loans, secured	HIBOR+1.8%*	2024	79,675	HIBOR+1.8%*	2023	99,630
Current portion of long term bank loans, unsecured	HIBOR+1.55% to 1.98%*/ COF+1.55% to 1.75%**	2024	902,372	HIBOR+1.48% to 1.88%*/ COF+1.55% to 1.6%**	2023	698,371
Bank loans, unsecured	2%-4.95%/ HIBOR+1.5%*	2024	766,900	3.65%-5.35%/ HIBOR+1.5% to 1.75%*/ COF+1.25%to 1.55%**	2023	1,079,885
			1,878,213			1,927,782
Non-current						
Bank loans, secured	–	–	–	HIBOR+1.8%*	2024	79,675
Bank loans, unsecured	3.4%-3.6%/ HIBOR+1.6% to 2.5%*/ COF+1.6% to 1.75%	2025-2026	1,065,488	4%/HIBOR+1.55% to 1.88%*/COF+ 1.55% to 1.6%**	2024-2025	971,020
			1,065,488			1,050,695
Total			2,943,701			2,978,477

* "HIBOR" means the Hong Kong Interbank Offered Rate.

** "COF" means the cost of funding.

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

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank and other borrowings repayable:		
Within one year	**1,878,213**	1,927,782
In the second year	**726,876**	872,495
In the third year	**338,612**	178,200
	2,943,701	2,978,477
Analysed into:		
HK$	**2,146,096**	2,206,274
RMB	**797,605**	772,203
	2,943,701	2,978,477

Notes:

At the end of the reporting period, the Group's banking facilities were supported by:

(a) the pledge of bank deposits of approximately HK$194,648,000 (2022: HK$323,216,000) (note 21);

(b) corporate guarantees from the Company and certain of its subsidiaries; and

(c) mortgages over the Group's leasehold building and the related right-of-use asset in Hong Kong with a carrying amount of approximately HK$47,900,000 (2022: HK$50,200,000) (note 13).

25. DEFERRED TAX

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

Deferred tax liabilities

	Withholding taxes	Revaluation of properties/ Depreciation allowance in excess of related depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2022	46,705	19,292	65,997
Credited to the income statement during the year	(4,737)	(618)	(5,355)
Deferred tax debited to equity during the year	–	184	184
At 31 December 2022 and 1 January 2023	**41,968**	**18,858**	**60,826**
Credited to the income statement during the year	**(209)**	**(1,630)**	**(1,839)**
Deferred tax credited to equity during the year	**–**	**(281)**	**(281)**
At 31 December 2023	**41,759**	**16,947**	**58,706**

25. DEFERRED TAX *(continued)*

Deferred tax assets

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2022, 31 December 2022 and 1 January 2023	3,703	–	3,703
Credited to the income statement during the year	–	7,456	7,456
At 31 December 2023	**3,703**	**7,456**	**11,159**

The Group has estimated tax losses arising in Hong Kong of approximately HK$106,681,000 (2022: HK$67,252,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and in the opinion of the directors, it is not considered probable 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 became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rates may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

However, deferred tax has not been recognised for certain withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries of the Group 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 associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$5,118,352,000 at 31 December 2023 (2022: HK$4,198,670,000).

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

26. SHARE CAPITAL

	2023 **HK$'000**	2022 HK$'000
Authorised:		
20,000,000,000 (2022: 20,000,000,000) ordinary shares	**200,000**	200,000
Issued and fully paid:		
9,735,607,645 (2022: 9,719,257,645) ordinary shares	**97,356**	97,193

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

	Number of ordinary shares in issue	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
Issued:				
At 1 January 2022, 31 December 2022 and 1 January 2023	9,719,257,645	97,193	1,777,033	1,874,226
Awarded shares	16,350,000	163	3,826	3,989
As at 31 December 2023	**9,735,607,645**	**97,356**	**1,780,859**	**1,878,215**

Share award schemes

Details of the Company's share award schemes and the share award issued under the schemes are included in note 27 to the financial statements.

27. SHARE OPTION AND SHARE AWARD SCHEMES

Share option scheme

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 June 2002, a share option scheme of the Company (the "Old Scheme") was adopted by the Company. The Old Scheme became effective on 24 June 2002, and unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Old Scheme expired during the year ended 31 December 2012 and no further share options can be granted under the Old Scheme.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 25 June 2013, a share option scheme of the Company (the "New Scheme" together with the Old Scheme, the "Share Option Schemes") was adopted by the Company. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers or consultants who will provide or have provided services to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company may not exceed 30% of the relevant class of shares in issue from time to time. No options may be granted under the New Scheme or any other share option scheme of the Company if it will result in this limit being exceeded. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each selected eligible participant in any 12-month period and up to the date of grant shall not exceed 1% of the shares of the Company in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the New Scheme must be approved by the independent non-executive directors of the Company (excluding an independent non-executive director who is the proposed grantee of the Company). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing an aggregate value of over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

27. SHARE OPTION AND SHARE AWARD SCHEMES *(continued)*

Share option scheme *(continued)*

The period within which the options must be exercised will be determined by the board of directors of the Company at its absolute discretion. This period will expire no later than 10 years from the date on which the New Scheme is conditionally adopted by an ordinary resolution of the shareholders. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer, and a non-refundable nominal consideration of HK$1 is payable upon acceptance of an option.

The subscription price for the shares of the Company under the New Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company as shown in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

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

During the years ended 31 December 2022 and 2023, no share options were granted by the Company under the Share Option Schemes.

As at 31 December 2023 and 2022, the Company had no share options outstanding under the Share Option Schemes.

The New Scheme has expired on 24 June 2023 and no further share options can be granted under the New Scheme.

27. SHARE OPTION AND SHARE AWARD SCHEMES *(continued)*

Share Award Scheme

The Company adopted a share award scheme on 17 January 2022 (the “Share Award Scheme”) under which the Directors may, from time to time, at its absolute discretion select any employee (other than excluded employee) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected employee(s) at a price per awarded share not less than the higher of:

(a) the par value of the share of the Company;

(b) 50% of the closing price of the shares of the Company as quoted on the Stock Exchange on the grant date; and

(c) 50% of the average of the closing prices of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the grant date.

The Board is entitled to impose any conditions, as it deems appropriate with respect to the entitlement of the selected employee to the awarded shares.

The purpose of the Share Award Scheme is to (i) establish a mechanism of “risk sharing and benefit sharing” between middle and senior management and the Group, so that the middle and senior management have the opportunity to share the results of the Group’s strategic development and organisational changes, and attract and retain core talents; (ii) establish an equity reward model linked to the Company’s overall value and personal performance indicators and achieve diversified and long-term rewards for middle and senior management; and (iii) attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of 10 years from 17 January 2022 unless terminated earlier by the Board and is administered by the Board and the trustee of the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued shares of the Company as at the adoption date of the Share Award Scheme. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the shares in issue of the Company from time to time.

During the the year ended 31 December 2022, 64,500,000 awarded shares were granted under the Share Award Scheme to 14 selected employees who are individual third parties under the Listing Rule. The awarded shares are subject to certain vesting conditions specified by the Board at the time of granting the awarded shares and shall be vested in three tranches in 48 months started from the grant date. Details of the adoption of the Share Award Scheme and the grant of awarded shares are set out in the Company’s announcement dated 17 January 2022.

27. SHARE OPTION AND SHARE AWARD SCHEMES *(continued)*

Share Award Scheme *(continued)*

Set out below is a summary of the grant of award shares under the Share Award Scheme since the adoption date of the Share Award Scheme up to and including 31 December 2023:

					Number of awarded shares								
Grant date	Fair value per share at grant date (HK$)	Issue price per share (HK$)	Closing price per share immediately before date of grant (HK$)	Vesting period	As at 1 January 2022	Granted	Vested	Terminated	As at 31 December 2022 and 1 January 2023	Granted	Vested	Terminated	As at 31 December 2023
17 January 2022	0.243	0.1232 Note 2	0.245	17 January 2022 to 17 January 2023	–	19,350,000	–	(2,700,000)	16,650,000	–	(16,350,000)	(300,000)	–
17 January 2022	0.240	0.1232 Note 2	0.245	17 January 2023 to 17 January 2024	–	19,350,000	–	(2,700,000)	16,650,000	–	–	(300,000)	16,350,000
17 January 2022	0.237	0.1232 Note 2	0.245	17 January 2024 to 17 January 2025	–	25,800,000	–	(3,600,000)	22,200,000	–	–	(400,000)	21,800,000
				Total	–	64,500,000 Note 1	–	(9,000,000)	55,500,000	–	(16,350,000)	(1,000,000)	38,150,000

27. SHARE OPTION AND SHARE AWARD SCHEMES *(continued)*

Share Award Scheme *(continued)*

Notes:

1. The 64,500,000 awarded shares were allotted and issued pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 14 May 2021.

2. The issue price of HK$0.1232 was determined in accordance with the terms of the Share Award Scheme at an issue price not less than the higher of (a) the par value of the shares; (b) 50% of the closing price of the shares as quoted on the Stock Exchange on the date of grant; and (c) 50% of the average of the closing prices of the shares as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of grant. The grantees of the awarded shares shall pay the aggregate issue price, representing an aggregate issue price of HK$7,946,400 as at the date of grant, to the Company within 5 business days after the date of acceptance of the awarded shares. The aggregate issue price of the terminated share awards of the Company in 2023 was HK$123,200 (2022: HK$1,108,800).

The Group measured the fair value of the awarded shares at grant date with reference to the binomial model carried out by an independent professional valuer with input of Share's spot price of HK$0.244 per share, dividend yield of 0%, expected volatility of 0.34%–1.02%, etc.

During the year ended 31 December 2023, net share awards expense of HK$1,813,000 (2022: HK$3,636,000) was charged to the consolidated income statement.

28. RESERVES

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

(i) Capital reserve

The capital reserve of the Group represents principally (1) the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group's reorganisation completed on 7 December 2000 in preparation for the listing of the Company's shares, over the purchase consideration paid therefor; (2) the difference between the consideration paid and the net assets acquired for the further acquisition of Xiamen Optic Conduct Cable Company Limited during the year ended 31 December 2010; (3) the difference between the consideration received and the net liabilities disposed of for the partial disposal of Tongda Optical Company Limited ("Tongda Optical") during the year ended 31 December 2010; (4) the difference between the net consideration paid and the net assets acquired arose from the step acquisition of Tongda Optical during the year ended 31 December 2013; (5) the difference between the net consideration and the net assets acquired arose from the acquisition of Grand Prosper Investments Limited during the year ended 31 December 2015; (6) the difference between the net consideration paid and the net assets acquired arose from the acquisition of Tongda Precision Technology Company Limited during the year ended 31 December 2018; (7) the difference between the net consideration paid and the net assets acquired arose from the acquisition of the remaining 20% interest of Tongda (Xiamen) Communications Company Limited during the year ended 31 December 2019; (8) the difference between the net consideration paid and the net assets acquired arose from the deemed acquisition of a 20% interest of 廈門市創智健康用品有限公司 during the year ended 31 December 2020; (9) net contribution from non-controlling shareholders of Tongda Smart Technology Company Limited for its listing on the Main Board of the Shenzhen Stock Exchange during 31 December 2023; and (10) share of capital reserve movement of an associate during 31 December 2023.

(ii) Statutory reserve

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited ("Tongda Macao"), a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to the statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set-off against accumulated losses, if any, arising under certain specified circumstances. As the reserve has already reached 50% of Tongda Macao's capital fund, no transfer was made in the current year (2022: Nil).

In accordance with the relevant regulations applicable in the PRC, subsidiaries established in the PRC are required to transfer a certain percentage of their profit after tax, if any, to the statutory reserve funds, which are non-distributable, before profit distributions to shareholders. The amount of the transfer is subject to the approval of the boards of directors of these subsidiaries.

29. COMMITMENTS

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

	2023 HK$'000	2022 HK$'000
Contracted for commitments in respect of		
– Purchases of property, plant and equipment	**117,428**	134,214
– Construction of leasehold buildings in Mainland China	**8,029**	41,835
	125,457	176,049

Save as disclosed above, the Company had no significant commitments at the end of the reporting period (2022: Nil).

30. RELATED PARTY TRANSACTIONS

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

	Notes	2023 HK$'000	2022 HK$'000
Related companies controlled by directors of the Company:			
Rental income	(i)	**–**	168
A jointly-controlled entity:			
Management fee and utility charges	(ii)	**2,118**	8,333
Subcontracting fee	(iii)	**26,492**	111,459
Interest income	(iv)	**2,733**	2,864
An associate:			
Rental and utility charges	(vi)	**4,356**	–

30. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) The rental income from a related company controlled by directors of the Company was charged at a monthly rate of HK$Nil for the year ended 31 December 2023 (2022: HK$14,000) by reference to a lease agreement entered into by the related company and the Group on 8 February 2018.

(ii) The management fee and utility charges from a jointly-controlled entity represented the management fee charged for factory premises at a predetermined monthly rate and the related utility charges.

(iii) The subcontracting fee to the jointly-controlled entity was made on a basis mutually agreed by both parties.

(iv) The interest income was charged at 2% per annum (2022: 2% per annum) on the loan balances to the jointly-controlled entity.

(v) The Group entered into an agreement (the "Lease Agreement") with a related company controlled by a director of the Company on 1 January 2019 to lease a plant at a monthly rate of RMB324,000 for a term of 6 years. As at 14 January 2022, the Lease Agreement was terminated upon the plant was acquired by a wholly-owned subsidiary of the Group as detailed in note (c) below. Accordingly, right-of-use asset of HK$11,507,000 and lease liability of HK$10,163,000 was derecognised, and a loss of lease termination HK$1,344,000 was recognised as a result of the termination of the Lease Agreement during the year ended 31 December 2022.

(vi) The rental and utility charges from an associate represented the rental charged at a predetermined monthly rate and the related utility charged.

(b) Outstanding balances with related parties

Details of the Group's balances with a jointly-controlled entity and associates as at the end of the reporting period are disclosed in notes 16 and 17 to the financial statements respectively.

(c) During the year ended 31 December 2022, the Group acquired a land with a total site area of 54,298 square metres and the property which mainly contains 7 buildings over the land at a total cash consideration of RMB90,004,000 (approximately HK$109,805,000) from Tongda Electrical Machinery Company Limited Shishi ("Tongda Electrical Machinery Shishi"). As Mr. Wang Ya Nan, an executive director of the Company, and his brothers, own the entire issued share capital of Tongda Electrical Machinery Shishi, this acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details are set out in the announcements of the Company dated 14 January 2022.

30. RELATED PARTY TRANSACTIONS *(continued)*

(d) Compensation of key management personnel of the Group

	2023	2022
	HK$'000	HK$'000
Short term employee benefits	**1,232**	847
Post-employment benefits	**19**	16
Total compensation paid to key management personnel	**1,251**	863

The above compensation does not include directors' remuneration which is disclosed in note 8 to the financial statements.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) Save as disclosed elsewhere in the financial statements, during the year ended 31 December 2023, deposits for the acquisition of property, plant and equipment of HK$29,765,000 (2022: HK$131,734,000) were utilised as additions to property, plant and equipment (note 18).

(ii) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$25,441,000 (2022: HK$9,040,000) and HK$25,441,000 (2022: HK$9,040,000), respectively, in respect of lease arrangements.

(iii) During the year, the Group acquired property, plant and equipment of HK$118,193,000 (2022: HK$221,671,000), which was not yet settled as at 31 December 2023 and amounts of HK$118,193,000 (2022: HK$159,715,000) and HK$Nil (2022: HK$61,956,000) were included in "Accrued liabilities and other payables" (current liabilities) and "other payables" (non-current liabilities), respectively, in the consolidated statement of financial position.

(iv) During the year, 16,350,000 (2022: Nil) awarded shares were vested at the price of HK$0.1232 per share, the aggregate amount of the issued share price of HK$2,014,000 (2022: Nil) was net-off with the upfront receipt recorded in "Accrued liabilities and other payables" in the consolidated statement of financial position (note 27).

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

(b) Changes in liabilities arising from financing activities

	2023	
	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000
As at 1 January 2023	3,139,949	15,644
New bank loans	2,505,120	–
Repayment of bank loans	(2,528,251)	–
New leases	–	25,441
Lease termination	–	(1,278)
Interest expense	–	1,689
Interest paid classified as operating cash flows	–	(1,689)
Changes from financing cash flows	–	(8,169)
Exchange realignment	(12,534)	(89)
As at 31 December 2023	3,104,284	31,549

	2022	
	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000
As at 1 January 2022	3,569,942	25,922
New bank loans	3,277,213	–
Repayment of bank loans	(3,590,078)	–
New leases	–	9,040
Lease termination	–	(10,163)
Interest expense	–	543
Interest paid classified as operating cash flows	–	(543)
Changes from financing cash flows	–	(7,985)
Exchange realignment	(117,128)	(1,170)
As at 31 December 2022	3,139,949	15,644

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

(c) Total cash outflow for leases

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

	2023 HK$'000	2022 HK$'000
Within operating activities	**1,689**	543
Within financing activities	**8,169**	7,985
	9,858	8,528

(d) Total taxes paid

The total taxes paid during the year were:

	2023 HK$'000	2022 HK$'000
Operating activities:		
Hong Kong profits tax paid	**5,451**	23,592
Overseas taxes paid	**61,840**	58,089
	67,291	81,681

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2023

Financial assets

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade and bills receivables	596,519	–	1,310,181	1,906,700
Financial assets included in prepayments, deposits and other receivables	–	–	37,742	37,742
Due from a jointly-controlled entity	–	–	112,922	112,922
Loans to a jointly-controlled entity	–	–	169,925	169,925
Time deposits	–	–	62,332	62,332
Pledged deposits	–	–	194,648	194,648
Lease receivables	–	–	3,739	3,739
Financial assets at fair value through profit or loss	–	259,434	–	259,434
Cash and cash equivalents	–	–	1,160,490	1,160,490
	596,519	259,434	3,051,979	3,907,932

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,836,766
Financial liabilities included in accrued liabilities and other payables	71,280
Interest-bearing bank and other borrowings	2,943,701
Lease liabilities	30,014
	4,881,761

32. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2022

Financial assets

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade and bills receivables	271,026	1,888,459	2,159,485
Financial assets included in prepayments, deposits and other receivables	–	27,066	27,066
Due from a jointly-controlled entity	–	105,989	105,989
Due from an associate	–	6,269	6,269
Loans to a jointly-controlled entity	–	198,288	198,288
Pledged deposits	–	323,216	323,216
Lease receivables	–	8,430	8,430
Cash and cash equivalents	–	1,195,166	1,195,166
	271,026	3,752,883	4,023,909

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	2,530,860
Financial liabilities included in accrued liabilities and other payables	291,423
Interest-bearing bank and other borrowings	2,978,477
Due to a jointly-controlled entity	6,348
Lease liabilities	15,644
	5,822,752

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, lease receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, amounts due from a jointly-controlled entity and an associate, loans to a jointly-controlled entity, financial liabilities included in accrued liabilities and other payables, an amount due to a jointly-controlled entity and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

The fair values of the financial assets at fair value through profit or loss, non-current portion of the interest-bearing bank borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for financial assets at fair value through profit or loss, interest-bearing bank borrowings and lease liabilities as at 31 December 2023 were assessed to be insignificant. The fair values of the financial assets at fair value through profit or loss, interest-bearing bank borrowings and lease liabilities approximate to their carrying amounts as at the end of the reporting period.

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	259,434	–	259,434
Trade and bills receivables	–	596,519	–	596,519
Total	–	855,953	–	855,953

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Trade and bills receivables	–	271,026	–	271,026

34. TRANSFERRED FINANCIAL ASSETS

(i) Transferred financial assets that are not derecognised in their entirety

The following table provides a summary of financial assets that have been transferred in such a way that part of the transferred financial assets does not qualify for derecognition, together with the associated liabilities:

2023

	Bills receivable Notes (a) and (b) HK$'000
Carrying amount of assets that continued to be recognised	**140,749**
Carrying amount of associated liabilities	**140,749**

2022

	Bills receivable Notes (a) and (b) HK$'000
Carrying amount of assets that continued to be recognised	17,205
Carrying amount of associated liabilities	17,205

34. TRANSFERRED FINANCIAL ASSETS *(continued)*

(i) Transferred financial assets that are not derecognised in their entirety *(continued)*

Notes:

(a) Discounting of bills receivable

At 31 December 2023, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK$129,268,000 (2022: HK$2,949,000) to a local bank (2022: a local bank) in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank and other loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other loans recognised due to the Discounted Bills was HK$129,268,000 (2022: HK$2,949,000) as at 31 December 2023.

(b) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 31 December 2023, the Group endorsed certain bills receivable issued by certain local banks and certain local financial institutions in the PRC (the “Endorsed Bills”) with a carrying amount of HK$11,481,000 (2022: HK$14,256,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was HK$11,481,000 (2022: HK$14,256,000) as at 31 December 2023.

(ii) Transferred financial assets that are derecognised in their entirety

(a) Discounting of bills receivable

At 31 December 2023, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK$134,357,000 (2022: HK$285,635,000) to certain reputable banks (2022: certain reputable banks) in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills is equal to their carrying amounts of HK$134,357,000 (2022: HK$285,635,000). In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have a maturity period from three to six months (2022: three to six months).

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting of bills has been made evenly throughout the year.

34. TRANSFERRED FINANCIAL ASSETS *(continued)*

(ii) Transferred financial assets that are derecognised in their entirety *(continued)*

(b) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 31 December 2023, the Group endorsed certain bills receivable issued by certain reputable banks in the PRC (the "Derecognised Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$268,392,000 (2022: HK$239,575,000). The Derecognised Endorsed Bills had a maturity from three to six months (2022: three to six months) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Endorsed Bills may exercise the right of recourse against any, several or all the persons liable for the Derecognised Endorsed Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Endorsed Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Endorsed Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

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

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

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 25 to the financial statements.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit after tax and equity through the impact on floating rate borrowings.

	Increase/ (decrease) in percentage points	Increase/ (decrease) in profit after tax and equity HK$'000
2023		
Hong Kong dollars	**0.5%**	**(9,395)**
Hong Kong dollars	**(0.5%)**	**9,395**
2022		
Hong Kong dollars	0.5%	(9,211)
Hong Kong dollars	(0.5%)	9,211

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

Commodity price risk

The major raw materials used in the production of the Group's products included plastic materials and aluminum. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group has not historically entered into any commodity derivative instruments to hedge the potential commodity price changes.

Foreign currency risk

The Group carries on its trading transactions mainly in Hong Kong dollars, United States dollars and RMB. As the foreign currency risk arising from the sales and purchases can be set off with each other and given that the Hong Kong dollar is pegged to the United States dollar, the related foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.

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 income statement.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar and RMB exchange rate, with all other variables held constant, of the Group's net profit.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in the Group's net profit
	%	HK$'000
2023		
If the Hong Kong dollar weakens against RMB	**5**	**(22,894)**
If the Hong Kong dollar strengthens against RMB	**5**	**22,894**
2022		
If the Hong Kong dollar weakens against RMB	5	(4,055)
If the Hong Kong dollar strengthens against RMB	5	4,055

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

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the director of the operation unit.

Maximum exposure and year-end staging

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

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Debt investments at fair value through other comprehensive income:					
– Trade receivables*	–	–	–	467,251	467,251
– Bills receivable					
– Normal**	129,268	–	–	–	129,268
Trade and bills receivables*	–	–	–	1,362,868	1,362,868
Financial assets included in prepayments, deposits and other receivables					
– Normal**	37,742	–	–	–	37,742
Due from a jointly-controlled entity					
– Not yet past due	112,922	–	–	–	112,922
Loans to a jointly-controlled entity					
– Not yet past due	169,925	–	–	–	169,925
– Credit impaired	–	–	46,877	–	46,877
Lease receivable					
– Normal**	–	–	–	3,739	3,739
Time deposits					
– Not yet past due	62,332	–	–	–	62,332
Pledged deposits					
– Not yet past due	194,648	–	–	–	194,648
Cash and cash equivalents					
– Not yet past due	1,160,490	–	–	–	1,160,490
	1,867,327	–	46,877	1,833,858	3,748,062

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

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Debt investments at fair value through other comprehensive income:					
– Trade receivables*	–	–	–	268,077	268,077
– Bills receivable					
– Normal**	2,949	–	–	–	2,949
Trade and bills receivables*	–	–	–	1,927,486	1,927,486
Financial assets included in prepayments, deposits and other receivables					
– Normal**	28,929	–	–	–	28,929
Due from a jointly-controlled entity					
– Not yet past due	105,989	–	–	–	105,989
Due from an associate					
– Not yet past due	6,269	–	–	–	6,269
Loans to a jointly-controlled entity					
– Not yet past due	198,808	–	–	–	198,808
– Credit impaired	–	–	21,431	–	21,431
Lease receivable					
– Normal**	–	–	–	8,430	8,430
Pledged deposits					
– Not yet past due	323,216	–	–	–	323,216
Cash and cash equivalents					
– Not yet past due	1,195,166	–	–	–	1,195,166
	1,861,326	–	21,431	2,203,993	4,086,750

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the bills receivable included in trade and bills receivables and the financial assets included in prepayments, deposits and other receivables, and lease receivable 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.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other banking facilities such as trust receipt loans.

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

	2023					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Lease liabilities	–	2,717	4,767	14,816	18,856	41,156
Trade and bills payables	–	1,836,766	–	–	–	1,836,766
Financial liabilities included in accrued liabilities and other payables	71,280	–	–	–	–	71,280
Interest-bearing bank and other borrowings	–	708,623	1,231,850	1,215,542	–	3,156,015
	71,280	2,548,106	1,236,617	1,230,358	18,856	5,105,217

	2022					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Lease liabilities	–	2,016	5,789	5,579	7,196	20,580
Trade and bills payables	–	2,530,860	–	–	–	2,530,860
Financial liabilities included in accrued liabilities and other payables	301,980	–	–	–	–	301,980
Due to a jointly-controlled entity	6,348	–	–	–	–	6,348
Interest-bearing bank and other borrowings	–	1,014,776	895,931	1,168,751	–	3,079,458
	308,328	3,547,652	901,720	1,174,330	7,196	5,939,226

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

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it in 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.

The Group monitors capital using a gearing ratio, which is net debt over total equity. Net debt includes interest-bearing bank and other borrowings, less cash and cash equivalents, structured deposits, time deposits and pledged deposits. The gearing ratios as at the end of the reporting periods were as follows:

	2023 HK$'000	2022 HK$'000
Interest-bearing bank and other borrowings	**2,943,701**	2,978,477
Less: Cash and cash equivalents	**(1,160,490)**	(1,195,166)
Less: Pledged deposits	**(194,648)**	(323,216)
Less: Structured deposits	**(259,434)**	–
Less: Time deposits	**(62,332)**	–
Net debt	**1,266,797**	1,460,095
Total equity	**7,003,496**	7,630,836
Gearing ratio	**18.1%**	19.1%

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	117,940	117,862
Loan to a subsidiary	12,610	12,610
Total non-current assets	130,550	130,472
CURRENT ASSETS		
Due from subsidiaries	3,917,382	3,829,420
Prepayments, deposits and other receivables	5,305	971
Loan to a subsidiary	7,857	7,857
Cash and cash equivalents	101,288	120,752
Total current assets	4,031,832	3,959,000
CURRENT LIABILITIES		
Accrued liabilities and other payables	11,404	17,860
Interest-bearing bank borrowings	982,046	756,334
Tax payable	64,217	64,217
Total current liabilities	1,057,667	838,411
NET CURRENT ASSETS	2,974,165	3,120,589
TOTAL ASSETS LESS CURRENT LIABILITIES	3,104,715	3,251,061
NON-CURRENT LIABILITY		
Interest-bearing bank borrowings	1,014,050	1,024,107
Net assets	2,090,665	2,226,954
EQUITY		
Issued capital	97,356	97,193
Reserves (Note)	1,993,309	2,129,761
Total equity	2,090,665	2,226,954

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

	Share premium account HK$'000	Share award reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	1,777,033	–	79,179	884	361,339	2,218,435
Loss for the year	–	–	–	–	(92,310)	(92,310)
Share award expense, net (note 26)	–	3,636	–	–	–	3,636
At 31 December 2022 and 1 January 2023	**1,777,033**	**3,636**	**79,179**	**884**	**269,029**	**2,129,761**
Loss for the year	**–**	**–**	**–**	**–**	**(140,126)**	**(140,126)**
Share award expense, net (note 26)	**–**	**1,813**	**–**	**–**	**–**	**1,813**
Issue new shares under Share Award	**3,826**	**(1,965)**	**–**	**–**	**–**	**1,861**
At 31 December 2023	**1,780,859**	**3,484**	**79,179**	**884**	**128,903**	**1,993,309**

(i) Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) As at 31 December 2023, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$1,988,941,000 (2022: HK$2,125,241,000) subject to the restriction stated in note (i) above.

(iii) The contributed surplus of the Company arose as a result of the Group's reorganisation completed on 7 December 2000 in preparation for the listing of the Company's shares, and represents the excess of the combined net assets of the subsidiaries then acquired by the Company, over the nominal value of the share capital of the Company issued in exchange therefor.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ paid-up registered capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Directly held					
Tong Da Holdings (BVI) Limited	BVI	Ordinary US$10,000	**100**	100	Investment holding
Indirectly held					
Tong Da General Holdings (H.K.) Limited	Hong Kong	Ordinary HK$880,000	**100**	100	Investment holding, raw material sourcing and trading of electrical appliances and ironware products
福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian)[1]	PRC/Mainland China	Registered HK$1,820,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products
通達(石獅)科技有限公司 (Tongda (Shishi) Technology Company Limited)	PRC/Mainland China	Registered Renminbi ("RMB") 330,000,000 (2022: RMB230,000,000)	**100**	100	Manufacture and sale of handset casings
通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited)[2]	PRC/Mainland China	Registered RMB390,577,231 (2022: RMB290,577,231)	**100**	100	Manufacture and sale of precise injection and printing parts

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ paid-up registered capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Indirectly held *(continued)*					
深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited)[2]	PRC/Mainland China	Registered RMB39,122,100	**100**	100	Manufacture and sale of plastic injection and printing parts
Tongda Precision Technology Company Limited	Hong Kong	Ordinary HK$5,000,000	**100**	100	Investment holding and trading of high-precision components
通達(廈門)精密橡塑有限公司 (Tongda (Xiamen) Elastomers Company Limited)[1]	PRC/Mainland China	Registered RMB125,148,100	**100**	100	Manufacture and sale of high-precision components
通達創智(廈門)股份有限公司 (Tongda Smart Tech (Xiamen) Company Limited)	PRC/Mainland China	Registered RMB112,000,000 (2022: RMB84,000,000)	**67.5**	90	Manufacture and sale of household goods

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

Notes:

1. Registered as wholly-foreign-owned enterprises under PRC law.

2. Registered as foreign-invested enterprises under PRC law.

38. DISPOSAL OF SUBSIDIARIES

On 14 December 2021, the Group entered into a letter of intent with an independent third party (the "Purchaser") whereby the Group agreed to dispose of its 100% equity interest in Tongda (Shanghai) Electrical Decoration Co., Ltd. (通達(上海)電器裝飾件有限公司) ("Tongda Shanghai") for a consideration of RMB60,000,000 (equivalent to HKD73,529,000) (the "Tongda Shanghai Disposal"). Tongda Shanghai is principally holding a property, which is not the core business of the Group. On 25 January 2022, the Group and the Purchaser entered into an equity transfer agreement for the Tongda Shanghai Disposal. Tongda Shanghai Disposal has been completed during 31 December 2022.

On 11 November 2022, Tong Da Holdings (BVI) Limited, a direct wholly-owned subsidiary of the Company, as the vendor, and an independent third party as the purchaser entered into the sale and purchase agreement, pursuant to which the vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 70% of the entire issued share capital of Tongda Overseas, an wholly-owned subsidiary of the vendor at a consideration of HK$385,000,000 ("Tongda Overseas Disposal"). Tongda Overseas Disposal was completed on 28 December 2022.

The followings are the assets and liabilities in respect of Tongda Shanghai Disposal and Tongda Overseas and its subsidiaries on the respective dates of disposal:

	Tongda Shanghai HK$'000	Tongda Overseas HK$'000	Total HK$'000
Net assets disposed of:			
Property, plant and equipment	17,625	63,234	80,859
Right-of-use assets	48,035	–	48,035
Inventories	437	70,053	70,490
Trade receivables	36	81	117
Prepayments and other receivables	2,839	–	2,839
Cash and cash equivalents	421	285	706
Trade payables	(9)	(4,325)	(4,334)
Accrued liabilities and other payables	(3,119)	(5,507)	(8,626)
Tax payable	(123)	–	(123)
Deferred tax liabilities	(14,394)	–	(14,394)
	51,748	123,821	175,569
Release of exchange fluctuation reserve	4,501	(12,757)	(8,256)
	56,249	111,064	167,313
Fair value of the retained interests in subsidiaries disposed of	–	(119,389)	(119,389)
Gain on disposal of subsidiaries	8,448	393,325	401,773
	64,697	385,000	449,697
Satisfied by:			
Cash consideration	64,697	385,000	449,697

38. DISPOSAL OF SUBSIDIARIES *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Tongda Shanghai HK$'000	Tongda Overseas HK$'000	Total HK$'000
Cash consideration	64,697	385,000	449,697
Cash consideration not yet received and recorded as other receivable as at year end date	(64,697)	(250,000)	(314,697)
Cash and cash equivalents disposed of	(421)	(285)	(706)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(421)	134,715	134,294

39. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the year ended 31 December 2023 and up to the date of this report.

40. COMPARATIVE FIGURES

As further explained in note 10, certain comparative amounts in the financial statements have been re-presented to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

Five-Year Financial Summary

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

RESULTS

	2023 HK$'000	2022 HK$'000 (Re-presented)	2021 HK$'000 (Re-presented)	2020 HK$'000 (Re-presented)	2019 HK$'000 (Re-presented)
Revenue	**6,521,928**	7,972,063	9,969,119	9,758,811	9,185,866
Gross profit	**345,783**	1,229,742	1,640,069	1,710,313	1,676,884
Profit for the year attributable to:					
Owners of the Company	**(1,229,656)**	137,287	228,198	351,340	401,521
Non-controlling interests	**24,743**	14,414	15,071	8,188	(640)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Non-current assets	**5,269,173**	6,235,924	7,401,561	6,642,165	6,109,351
Current assets	**8,033,557**	7,992,961	9,353,568	7,657,720	7,464,029
Total assets	**13,302,730**	14,228,885	16,755,129	14,299,885	13,573,380
Non-current liabilities	**(1,226,366)**	(1,153,684)	(813,672)	(1,422,138)	(1,246,666)
Current liabilities	**(5,072,868)**	(5,444,365)	(7,719,965)	(6,211,695)	(6,344,336)
Total liabilities	**(6,299,234)**	(6,598,049)	(8,533,637)	(7,633,833)	(7,591,002)
Net assets	**7,003,496**	7,630,836	8,221,492	6,666,052	5,982,378
Total assets less current liabilities	**8,229,862**	8,784,520	9,035,164	8,088,190	7,229,044
Equity attributable to owners of the Company	**(6,682,824)**	(7,562,811)	(8,160,182)	(6,617,466)	(5,946,220)
Non-controlling interests	**(320,672)**	(68,025)	(61,310)	(48,586)	(36,158)