WINOX

WINOX HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 6838

2021
ANNUAL REPORT

Contents

Corporate Information and Key Dates

BOARD OF DIRECTORS
Yiu Hon Ming (Chairman)
Yiu Tat Sing (Deputy Chairman)
Li Chin Keung (Managing Director)
Law Wai Ping
Chau Kam Wing Donald (Finance Director)
Yiu Ho Ting
Au Wai Ming*
Carson Wen*
Wong Lung Tak Patrick*
Wu Ming Lam*

* Independent Non-Executive Director

AUDIT COMMITTEE
Wong Lung Tak Patrick (Chairman)
Au Wai Ming
Carson Wen
Wu Ming Lam

REMUNERATION COMMITTEE
Wong Lung Tak Patrick (Chairman)
Yiu Hon Ming
Au Wai Ming
Carson Wen
Wu Ming Lam

NOMINATION COMMITTEE
Yiu Hon Ming (Chairman)
Au Wai Ming
Carson Wen
Wong Lung Tak Patrick
Wu Ming Lam

COMPANY SECRETARY
Huen Lai Chun

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Units 2 & 3, 1/F., Sunray Industrial Centre
610 Cha Kwo Ling Road, Yau Tong
Kowloon, Hong Kong

Telephone: (852) 23493776
Facsimile: (852) 23493780
Website: http://www.winox.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong

INFORMATION OF SHARES

Place of Listing	:	Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”)
Stock Code	:	6838
Board Lot	:	2,000 shares
Financial Year End	:	31 December
Proposed final dividend	:	HK3 cents per ordinary share

Financial Highlights

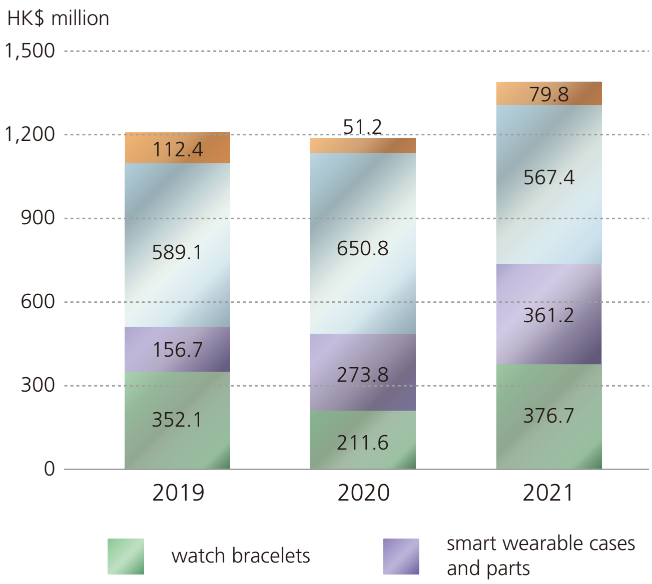
	Year ended 31 December 2021 HK$'000 (audited)	Year ended 31 December 2020 HK$'000 (audited)	Change
RESULTS HIGHLIGHTS			
Revenue	**1,385,113**	1,187,440	16.6%
Gross profit	**297,101**	240,161	23.7%
Profit for the year	**94,419**	96,085	–1.7%
Basic and diluted earnings per share (HK cents)	**15.7**	16.0 (restated)	–1.9%
Total dividend per share (HK cents)	**3.5**	3	
– Interim dividend (HK cent)	**0.5**	–	
– Final dividend (HK cents)	**3**	3	

	At 31 December 2021 HK$'000 (audited)	At 31 December 2020 HK$'000 (audited)	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	**1,610,090**	1,233,858	30.5%
Total borrowings	**258,234**	72,493	256.2%
Net assets	**1,001,099**	899,850	11.3%
Net assets per share (HK$)	**1.67**	1.50 (restated)	11.3%
Return on equity[1](%)	**9.4%**	10.7%	–1.3pts
Current ratio	**1.51**	1.81	
Gearing ratio[2]	**0.16**	0.06	

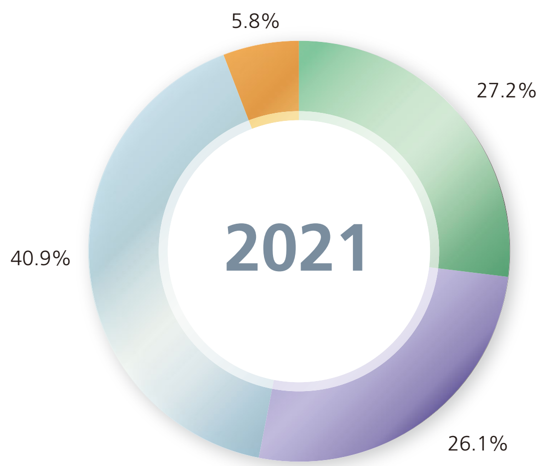
1 Based on equity attributable to shareholders at year end
2 Gearing ratio = Total borrowings/Total assets

REVENUE BY PRODUCTS

For the year ended 31 December



REVENUE DISTRIBUTION BY PRODUCTS



Mission

We strive to satisfy the needs of clients and provide quality service to the best we could by producing products of the highest quality in timely and competitive manner.

Dear Shareholders,

On behalf of the board ("Board") of directors ("Director(s)") of Winox Holdings Limited ("Company", together with its subsidiaries, "Group"), I am pleased to present the Group's annual results for the financial year ended 31 December 2021.

FINANCIAL PERFORMANCE

As the world's major economies started to recover from the COVID-19 pandemic, revenue of the Group for the year ended 31 December 2021 was satisfactorily increased by 16.6% to HK$1,385,113,000 (2020: HK$1,187,440,000) as compared to last year. Without all the COVID-19 related subsidies as in last year, profit for the year and basic earnings per share was slightly decreased by 1.7% and 1.9% to HK$94,419,000 (2020: HK$96,085,000) and HK15.7 cents (2020: HK16.0 cents (restated)) respectively.

DIVIDENDS

The Board recommends the payment of a final dividend of HK3 cents per ordinary share (2020: HK3 cents), which is subject to the approval of shareholders of the Company ("Shareholders") at the forthcoming annual general meeting. Together with the interim dividend of HK0.5 cent (2020: Nil) per ordinary share paid in October 2021, the total dividends for the year ended 31 December 2021 is HK3.5 cents per ordinary share (2020: HK3 cents per ordinary share).

The total number of ordinary shares of the Company as at 31 December 2021 was 600,000,000 shares as compared to 500,000,000 shares as at 31 December 2020, the increase was due to the issue of bonus shares on the basis of one bonus share for five shares held in June 2021.

BUSINESS

Like most of the manufacturing counterparts, we have been facing the challenges of continuous increase in all sorts of costs, shortage of labor and interruption of supply chain during the past two years of COVID-19 pandemic period. Nevertheless, with our well diversified high-quality products line and a customer base of world's renowned band owners, the Group's business successfully kept growing and our financial positions remained sound during the year 2021.

The recovery of the world's major economies in 2021 has brought back the world's demand of luxury goods. The sales of our watch bracelets and fashion accessories for the year ended 31 December 2021 bounced back and increased by 78.0% and 55.6% respectively as compared to last year.

Due to the interruption of supply chain, the sales of our mobile phone cases and parts for the year ended 31 December 2021 decreased by 12.8% as compared to last year.

Despite the shortage of chip supply, the sales of our smart wearable cases and parts for the year ended 31 December 2021 increased by 31.9% as compared to last year.

CORPORATE SUSTAINABILITY

The Group offers a diversified portfolio of top-notch stainless steel products to its customers. We work closely with our customers and suppliers to deliver quality and cost-effective products efficiently, which enables us to maintain long and fruitful business relationships with our customers. We are committed to achieving long-term business sustainability by building on our already excellent operational efficiency.

APPRECIATION

I would like to express my sincerely appreciation to my fellow Directors, customers, staff, suppliers and other stakeholders for their contributions and support for the Group for an unusual year of 2021.

Yiu Hon Ming
Chairman

Hong Kong, 31 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

The principal focus of the Company remains on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, mobile phone cases and parts, smart wearable cases and parts, and fashion accessories.

During the year of 2021, the world's major economies have been recovering from the COVID-19 pandemic since more people were vaccinated and the continuous huge quantitative easing plans and stimulus and relief measures taken out by central banks and governments kept boosting the economy. On the other hand, the world's shortage of chip and certain raw material supplies and the increased lock-down in certain countries due to the COVID-19 variants have affected the economic recovery in certain extent.

The recovery of the world's major economies in 2021 has brought back the world's demand of luxury goods. The revenue of our watch bracelets and fashion accessories for the year ended 31 December 2021 bounced back and increased by 78.0% and 55.6% respectively as compared to last year.

Due to some interruptions to the supply chain and the decrease in demand of a product of our major customer due to change of their product specifications, the revenue of our mobile phone cases and parts for the year ended 31 December 2021 decreased by 12.8% as compared to last year. We have already input additional resources to further strengthen our services to our major customer striving for more orders on other existing products that we are currently producing and future orders of products that are under development by our major customer.

Due to shortage of chip, the new models of our major client's products were finally launched to the markets in the second half of 2021, which helped to catch up the revenue of our smart wearable cases and parts in some extent for the full year ended 31 December 2021 by an increase of 31.9% as compared to last year. Although the shortage of chip supply is expected to be continue in 2022, we are still confident in the business development of this segment in the coming future.

The foundation works for the construction of the new factory building which is adjacent to our existing production plants in Dongguan was started in the fourth quarter of 2021 and the new factory is expected to be completed by phases starting from early 2023. In October 2021, we have entered into a term loan facilities with our banker in a principal amount of HK$150,000,000 for the construction of the new factory.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's revenue increased satisfactorily by 16.6% to HK$1,385,113,000 (2020: HK$1,187,440,000) as compared to last year. Revenue attributable to watch bracelets, mobile phone cases and parts, smart wearable cases and parts, and fashion accessories were 27.2%, 40.9%, 26.1% and 5.8% respectively (2020: 17.8%, 54.8%, 23.1% and 4.3%).

During the year, the Group's revenue of watch bracelets reported an increase of 78.0% to HK$376,687,000 (2020: HK$211,621,000) as compared to last year.

During the year, revenue of mobile phone cases and parts was HK$567,465,000 (2020: HK$650,760,000), representing a decrease of 12.8% as compared to last year.

Revenue of smart wearable cases and parts for the year recorded an increase of 31.9% to HK$361,196,000 (2020: HK$273,801,000).

Revenue of fashion accessories for the year recorded an increase of 55.6% to HK$79,765,000 (2020: HK$51,258,000).

Profit

Gross profit for the year increased by 23.7% to HK$297,101,000 (2020: HK$240,161,000) as compared to last year. The increase in gross profit was mainly due to the increase in the Group's revenue and the change in product mix. Gross profit margin for the year increased by 1.2 percentage points to 21.4% (2020: 20.2%).

Profit for the year decreased by 1.7% to HK$94,419,000 (2020: HK$96,085,000) and basic earnings per share for the year decreased by 1.9% to HK15.7 cents (2020: HK16.0 cents (restated)).

Cost of Sales

Cost of sales included costs of production materials and labour, and manufacturing overhead and other costs. The following table sets forth the breakdown of the cost of sales for the year ended 31 December 2021:

	2021 **HK$'000**	2020 HK$'000
Direct materials costs	**591,960**	540,837
Direct labour costs	**363,624**	298,054
Manufacturing overhead and other costs	**132,428**	108,388
	1,088,012	947,279

For the year ended 31 December 2021, direct materials costs accounted for about 54.4% (2020: 57.1%) of the total cost of sales.

Direct labour costs, and manufacturing overhead and other costs accounted for about 33.4% and 12.2% (2020: 31.5% and 11.4%) of the total cost of sales respectively.

Other Income

Other income for the year amounted to HK$8,736,000 (2020: HK$21,764,000), representing a decrease of 59.9% as compared to last year. There was COVID-19 related subsidy and employment stabilisation subsidy amounting to HK$8,775,000 granted last year and no such income was received this year.

Other Losses

Other losses for the year amounted to HK$6,557,000 (2020: HK$17,172,000). The decrease was mainly due to the decrease in net foreign exchange loss causing by appreciation of Renminbi during the year.

Expenses

Selling and distribution costs increased by 86.6% to HK$24,899,000 for the year as compared to HK$13,344,000 for last year, which was in line with the increase in revenue of watch bracelets.

Administrative expenses increased by 37.7% to HK$161,820,000 (2020: HK$117,494,000) for the year as compared to last year. The increase was mainly due to the increase in salaries and research and development costs, appreciation of Renminbi and no more COVID-19 related waiver of social security payments this year.

During the year, finance costs amounted to HK$4,735,000 (2020: HK$4,284,000), representing an increase of 10.5% as compared to last year which was mainly due to the increase in bank borrowings.

Taxation

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

PRC Enterprise Income Tax (the "EIT")

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. Certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("HNTE") certificate in prior years and eligible to a tax rate of 15% for 3 years until 31 December 2022. The recognition as a HNTE is subject to review every three years by the relevant government bodies.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 200% (2020: 175%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the year.

Inventories

	2021 HK$'000	2020 HK$'000
Raw materials	**14,931**	17,438
Work in progress	**94,487**	67,809
Finished goods	**25,252**	32,828
	134,670	118,075

As at 31 December 2021, the Group recorded an inventory balance of HK$134,670,000 (31 December 2020: HK$118,075,000), representing an increase of 14.1% which was mainly due to the increase in work in progress at the end of the year. The inventory turnover of the Group for year ended 31 December 2021 was 42.4 days as compared to 48.6 days for the year ended 31 December 2020.

Trade Receivables

As at 31 December 2021, trade receivables of the Group amounted to HK$358,855,000 (31 December 2020: HK$251,950,000). The credit periods granted to our customers were considered on individual basis ranging from 30 days to 90 days. Generally, no credit would be granted to customers which are new, short-term and placing orders in immaterial scale. As most of our customers were internationally renowned brand owners, we considered we were exposed to relatively minimal default risk. As at 15 March 2022, approximately HK$343,117,000 of the gross carrying amount of trade receivables as at 31 December 2021 has been received. The trade receivables turnover of the Group for the year ended 31 December 2021 was 80.5 days (for the year ended 31 December 2020: 79.5 days).

Trade Payables

As at 31 December 2021, the trade payables of the Group amounted to HK$251,627,000 (31 December 2020: HK$193,759,000). The trade payables were primarily related to the purchase of raw materials from suppliers with credit periods ranging from 30 days to 90 days. The trade payables turnover of the Group for the year ended 31 December 2021 was 74.7 days (for the year ended 31 December 2020: 70.9 days).

Liquidity, Indebtedness and Charges on Assets

During the year, the Group maintained a satisfactory liquidity level. As at 31 December 2021, net current assets of the Group was HK$306,373,000 (31 December 2020: HK$269,173,000). Besides, the Group had cash and bank balances of HK$207,002,000 (31 December 2020: HK$174,638,000), of which 38.6% was in Hong Kong dollars, 52.8% was in Renminbi, 8.5% was in United States dollars, and 0.1% was in Euro and other currencies.

As at 31 December 2021, the Group's outstanding bank borrowings totalled HK$258,234,000 (31 December 2020: HK$72,493,000), of which 22.2% was in Hong Kong dollars and 77.8% was in Renminbi. The increase in bank borrowings was mainly due to the loans raised related to bills discounted with recourse. 49.2% of such outstanding bank borrowings were arranged on floating rate basis and the balance of 50.8% were at fixed rate basis. According to Hong Kong Accounting Standards, the Group classified the bank borrowings contained repayment on demand clause as current liabilities in the consolidated statement of financial position as at 31 December 2021. All bank borrowings as at 31 December 2021 were classified under current liabilities. According to the repayment schedule, HK$216,384,000 was repayable within one year and the balance of HK$41,850,000 was repayable after one year.

Part of the bank borrowings was secured by certain of the Group's assets with an aggregate carrying value of HK$42,336,000 as at 31 December 2021. The charged assets included a piece of land in Dongguan where our factory situated and certain properties constructed thereon, and the deposits for one keyman life insurance policy. The banking facilities to the Company's wholly-owned subsidiaries were also secured by corporate guarantees in favour of the bank from the Company.

As at 31 December 2021, the total unutilised banking facilities available to the Group amounted to HK$175,566,000 (2020: HK$91,002,000).

As at 31 December 2021, the Group's gearing ratio was 0.16 (31 December 2020: 0.06), which was calculated on the basis of total borrowings over total assets of the Group.

Treasury

The Group adopted conservative treasury policies in cash and financial management for the year. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

For the year ended 31 December 2021, the Group's revenue was denominated in Hong Kong dollars, Renminbi and United States dollars, contributing to 29.9%, 25.9% and 44.2% of the total revenue respectively (2020: 21.4%, 20.8% and 57.8%).

The expenses of the Group for the year were mainly denominated in Renminbi, as the Group's production plants were located in the PRC and the labour costs and manufacturing overhead were mainly denominated in Renminbi. The appreciation and depreciation of Renminbi might affect the overall production costs of the Group.

Hong Kong dollars was pegged with United States dollars, the Directors considered the Group was exposed to limited risk in this aspect.

The Group did not use any financial instruments for hedging purposes during the year and the Group did not have any hedging instruments as at 31 December 2021. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Capital Commitments

Capital expenditure contracted for but not yet provided by the Group as at 31 December 2021 was HK$30,100,000 (31 December 2020: HK$21,988,000), which was mainly related to the acquisition of property, plant and equipment, and land use rights.

Contingent Liabilities

As at 31 December 2021, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any other significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the total number of employees of the Group was 4,022 (2020: 3,873). During the year, staff costs (including Directors' emoluments) amounted to HK$456,323,000 (2020: HK$365,185,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company had adopted a share option scheme to incentivise the senior management and employees of the Group. During the year ended 31 December 2021, no option was granted by the Company pursuant to the share option scheme.

OUTLOOK

Entering into 2022, the continuous of the COVID-19 pandemic, the escalating inflation, the growing geopolitical tensions and the US Federal started the tapering plan and interest rate hike have put the sustainability of the recovery of the world economy into uncertain. Although there are still uncertainties and challenges lying ahead, the Group is cautiously optimistic in 2022. On top of the Group's focus on growing revenue, ensuring consistent and sustainable long-term profitability remains a top priority. We are committed to improving our operation efficiency and will make the best use of our resources to enhance our profitability for the purpose of achieving the sustainable growth of the Group.

Directors, Senior Management and Company Secretary

EXECUTIVE DIRECTORS

YIU HON MING, *Chairman*

Mr. Yiu Hon Ming, aged 63, is the Chairman of the Board. He was appointed as a Director of the Company on 28 January 2010. He resigned as the Managing Director of the Company on 15 June 2020. Mr. Yiu is also a director of each of the wholly-owned subsidiaries of the Company. He is the founder of the Group and has over 30 years of experience in metallic products manufacturing industry. Mr. Yiu provides leadership to the Board, organises Board meetings and facilitates effective coordination among Directors. Mr. Yiu also founded other businesses which include real estate investment and development and jewellery retailing. Mr. Yiu completed a business management course organised by School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in April 2007. Mr. Yiu is the husband of Ms. Law Wai Ping and the father of Ms. Yiu Ho Ting, both are Executive Directors of the Company. He is also the father of Mr. Yiu Tat Sing, the Deputy Chairman and an Executive Director of the Company. He is also a controlling shareholder of the Company, and a director of each of Ming Fung Investment Limited, the immediate holding company of the Company, and Ming Fung Holdings (Hong Kong) Limited, the ultimate holding company of the Company.

YIU TAT SING, *Deputy Chairman*

Mr. Yiu Tat Sing (former name is Yiu Tat Kui), aged 33, was appointed as an Executive Director of the Company on 26 March 2019 and appointed as the Deputy Chairman of the Board on 15 June 2020. He graduated from the University of Bristol, the United Kingdom, and obtained a Bachelor's degree in Economics and Management in 2011. Mr. Yiu joined the Group in 2011. He was a Deputy Manager of administration department at Winox Enterprise Company Limited ("Winox Enterprise"), a wholly-owned subsidiary of the Company, from August 2011 to December 2018. He has been the Business Development Manager of Winox Management Limited, a wholly-owned subsidiary of the Company, since January 2019. He is also a director of Max Surplus Corporation Limited, Winox Watch Manufactory (Dongguan) Limited ("Winox Watch") and Huizhou Fengcai Precious Metal Manufacturing Limited, Yingtai Precision Manufacturing Technology (Dongguan) Company Limited, Winox Precision Manufacturing Technology (Huizhou) Company Limited and Yingdafeng Precision Manufacturing Technology (Dongguan) Company Limited, all being wholly-owned subsidiaries of the Company. He is also a director of Ming Fung Investment Limited, the immediate holding company of the Company. Mr. Yiu is the son of Mr. Yiu Hon Ming, the Chairman and an Executive Director of the Company, and Ms. Law Wai Ping, an Executive Director of the Company. Mr. Yiu is also the brother of Ms. Yiu Ho Ting, an Executive Director of the Company.

LI CHIN KEUNG, *Managing Director*

Mr. Li Chin Keung, aged 53, was appointed as an Executive Director of the Company on 24 March 2015 and was also appointed as the Managing Director of the Company on 15 June 2020. He has been the general manager of Winox Enterprise and Winox Watch, both being wholly-owned subsidiaries of the Company, since July 2010, in charge of overall management of the Group. Mr. Li is also the general manager of Winox Management Limited, Bo Luo Ming Fung Kitchen Appliance Manufacturing Limited, Huizhou Fengcai Precious Metal Manufacturing Limited and Shengfeng Precision Manufacturing (Huizhou) Company Limited, all being wholly-owned subsidiaries of the Company. He is also a director and the general manager of Fengda Precision Technology (Dongguan) Company Limited, Yingtai Precision Manufacturing Technology (Dongguan) Company Limited, Winox Precision Manufacturing Technology (Huizhou) Company Limited and Yingdafeng Precision Manufacturing Technology (Dongguan) Company Limited, all being wholly-owned subsidiaries of the Company.

Mr. Li joined Stelux Industries Limited in 1991 and held various positions during his tenure there including computer programmer, production material control manager, manager of sales department, assistant general manager and assistant manager of logistics department. Mr. Li joined the Group in 1999 and was responsible for the production and administrative work of the Group. He was the deputy general manager of Winox Manufacturing Company Limited for the period from October 1999 to March 2005. Mr. Li took the position of sales manager from April 2005 to December 2007, and was responsible for the European jewellery and related accessories markets and successfully opened up the European leading brand market for the Company. Mr. Li was then transferred to Winox Enterprise as a sales manager from January 2008 to August 2008. During the period from August 2008 and June 2010, Mr. Li was appointed as an assistant general manager of Winox Enterprise. In July 2010, he was promoted to the general manager of Winox Enterprise and Winox Watch. Mr. Li graduated from The Hong Kong Polytechnic University with a Diploma in Industrial and Operations Management in November 1998 and is the holder of a Diploma in Computing Studies (Technical Applications) awarded by the Chai Wan Technical Institute of the Vocational Training Council in September 1991.

LAW WAI PING

Ms. Law Wai Ping, aged 57, is an Executive Director of the Company. She was appointed as a Director of the Company on 11 March 2011. Ms. Law is also a director of Winox Management Limited, Winox Enterprise, Super Powerful Limited, Max Surplus Corporation Limited, Winox Ventures Limited, Winox Development Limited, Glorify Land Management Limited, Winox Holdings Limited, which was incorporated in the British Virgin Islands, Feng Cai Limited, Prime Yield Developments Limited, Frayda Group Limited, Winox Watch and Huizhou Fengcai Precious Metal Manufacturing Limited, all being wholly-owned subsidiaries of the Company. Ms. Law has over 20 years of experience in the management of metallic product business and is primarily responsible for the Group's corporate resources management. She also partakes in formulating the development strategies of the Group. Ms. Law is the wife of Mr. Yiu Hon Ming, the Chairman and an Executive Director of the Company, the mother of Ms. Yiu Ho Ting, an Executive Director of the Company, and the mother of Mr. Yiu Tat Sing,the Deputy Chairman and an Executive Director of the Company. She is also a controlling shareholder of the Company, and a director of Ming Fung Holdings (Hong Kong) Limited, the ultimate holding company of the Company.

CHAU KAM WING DONALD, *Finance Director*

Mr. Chau Kam Wing, Donald, aged 59, is the Finance Director of the Company. He was appointed as a Director of the Company on 11 March 2011 and is responsible for overseeing the financial management of the Group. Mr. Chau has over 20 years of experience in auditing, taxation and financial management and had been appointed as financial controller of certain listed companies in Hong Kong. Mr. Chau obtained a master's degree in business administration from the University of San Francisco, United States in December 2000. He is also a Fellow Member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Chau is currently an independent non-executive director of China Water Affairs Group Limited, Carpenter Tan Holdings Limited, Ching Lee Holdings Limited and Kangda International Environmental Company Limited, which are listed on the Main Board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited, which is listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chau was an independent non-executive director of Zhejiang Chang'an Renheng Technology Co., Ltd., which is listed on the Growth Enterprise Market of the Stock Exchange, from May 2014 to May 2019.

YIU HO TING

Ms. Yiu Ho Ting, aged 36, was appointed as an Executive Director of the Company on 24 March 2015. She graduated from the Imperial College London, the United Kingdom and obtained a Master's degree in Mechanical Engineering. Ms. Yiu joined the Group in 2011. Currently, she serves as a manager of human resources and administration department and is mainly responsible for the human resources and internal operations management of the Group. Before joining the Group, she worked in a real estate company for 2 years, in charge of the internal operations management. Ms. Yiu is the daughter of Mr. Yiu Hon Ming, the Chairman and an Executive Director of the Company, and Ms. Law Wai Ping, an Executive Director of the Company. Ms. Yiu is also the sister of Mr. Yiu Tat Sing, the Deputy Chairman and an Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

AU WAI MING

Mr. Au Wai Ming, aged 75, is an Independent Non-Executive Director of the Company. He was appointed as a Director of the Company on 11 March 2011 and was re-designated from a Non-Executive Director to an Independent Non-Executive Director on 26 March 2019. He resigned as the Deputy Chairman of the Board on 15 June 2020. Mr. Au pursued his studies at Harbin Institute of Engineering (哈爾濱工程學院) and was graduated in August 1970. Mr. Au has about 40 years of experience in corporate development and management. He has worked for Guangdong Yuehai Property Group (廣東粵海地產集團) as well as Hutchison Whampoa Properties Limited. He had been an executive director of Guangdong Investment Limited for 10 years and was the former chairman and managing director of Kingway Brewery Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Au has extensive experience in property development and management and he has participated in the planning and development of certain well-known property projects such as Guangzhou Riverside Garden, Teem Plaza, Cape Coral and The Riverside. Mr. Au was an independent director of Rainbow Department Store Company Limited, the shares of which are listed on the Shenzhen Stock Exchange, from September 2013 to September 2019.

CARSON WEN

Mr. Carson Wen, BBS, JP, aged 68, was appointed as an Independent Non-Executive Director of the Company on 24 June 2011. Mr. Wen is a solicitor and was Partner and then Of Counsel at the global law firm, Jones Day. Mr. Wen is now Senior Consultant of Siao, Wen and Leung Solicitors & Notaries. Mr. Wen is also the Founder and Chairman of BOA International Financial Group. He was qualified as a solicitor in Hong Kong in May 1980 and has more than 30 years of experience in business, corporate and securities law.

Mr. Wen was a three-term Deputy to the National People's Congress representing Hong Kong. He is also a Justice of the Peace of Hong Kong and holds various public service appointments in Mainland China and Hong Kong. He was awarded a Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region for his public contributions, in particular in the furthering of economic ties between Hong Kong, Mainland China and the rest of the world. He was a founding and executive committee member of the China Mergers and Acquisitions Association and sits on the board of numerous organisations, including the China Africa Business Council (Hong Kong) and the Pacific Basin Economic Council. He is a member of the Business Advisory Council and the former Chairman of the Task Force on Green Business of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

Mr. Wen obtained his bachelor of arts degree from Columbia University in May 1975, where he majored in economics, and a bachelor of arts and master of arts degree from Oxford University in July 1977 and August 1981 respectively, where he studied law. He was Younger Prizeman in law at Balliol College, Oxford in 1977. In 2012, Mr. Wen was appointed as an independent non-executive director of Phoenix New Media Limited (Stock Code: FENG), which is listed on the New York Stock Exchange.

WONG LUNG TAK PATRICK

Professor Patrick Wong Lung Tak, BBS, JP, aged 74, was appointed as an Independent Non-Executive Director of the Company on 24 June 2011. Professor Wong is a Certified Public Accountant (Practising) in Hong Kong, a Chartered Secretary and a Certified Tax Advisor (Hong Kong) and the Managing Practising Director of Patrick Wong CPA Limited. He has over 50 years experience in the accountancy profession. Professor Wong holds a Doctor of Philosophy degree in Business. He was awarded a Badge of Honour by the Queen of England in 1993. He has been appointed a Justice of the Peace in 1998 and was awarded a Bronze Bauhinia Star in 2010 by the Government of the Hong Kong Special Administrative Region. He was appointed Adjunct Professor, School of Accounting and Finance of The Hong Kong Polytechnic University from 2002 to 2013. Professor Wong is currently an independent non-executive director of Galaxy Entertainment Group Limited, C C Land Holdings Limited, Water Oasis Group Limited and Sino Oil and Gas Holdings Limited, all of which are companies listed on the Main Board of the Stock Exchange. Professor Wong was an independent non-executive director of Li Bao Ge Group Limited, which is listed on the Main Board of the Stock Exchange, from June 2016 to January 2022. He was an independent non-executive director of BAIC Motor Corporation Limited, which is listed on the Main Board of the Stock Exchange, from December 2014 to March 2021.

WU MING LAM

Mr. Wu Ming Lam, aged 74, was appointed as an Independent Non-Executive Director of the Company on 24 March 2015. Mr. Wu has more than 30 years of experience in the industry of industrial products manufacturing. Mr. Wu has founded a number of corporations engaging in industrial production and investment business in Hong Kong since 1976. Currently, he serves as a director in Full Tat Company Limited, Cadilac Enterprises Limited, Roysun Development Company Limited, Cearns Co., Limited, Kowloon Spring Factory Limited, and Eastern Rainbow Precision Limited, and is in charge of resources management for those corporations, and participates in the development of company's strategies.

SENIOR MANAGEMENT

CHAN KAI MING, *Head of Factory (Division B)*

Mr. Chan Kai Ming, aged 67, is the Head of Factory (Division B) of Winox Enterprise and Winox Watch and also partakes in the marketing issues of Winox Enterprise. Mr. Chan joined the Stelux Group in 1987 and joined our Group in 1999. Mr. Chan is mainly responsible for the management of our factories in China and the development and production of Swiss brand watch products as well as leading the Company for self innovation. Mr. Chan has over 30 years of experience in metallic products manufacturing industry and is the holder of a bachelor of science degree awarded by The Hong Kong Polytechnic University in November 2009.

COMPANY SECRETARY

HUEN LAI CHUN, *Company Secretary*

Ms. Huen Lai Chun, aged 56, is the company secretary of the Company. She was appointed as the company secretary and authorised representative of the Company on 13 June 2014. Ms. Huen is a fellow of The Association of Chartered Certified Accountants, and an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Huen has over 10 years of experience in handling the secretarial and compliance related matters of listed corporations.

The Directors are pleased to present the annual report together with the audited consolidated financial statements of Winox Holdings Limited and its subsidiaries for the year ended 31 December 2021 ("Annual Report").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company which provides corporate management services to its subsidiaries.

The Group is principally engaged in the development and manufacturing of stainless steel products such as watch bracelets, mobile phone cases and parts, smart wearable cases and parts, and fashion accessories. The activities and particulars of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

There was no significant change in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including an indication of likely future developments in the Group's business, can be found in the Financial Highlights, Chairman's Statement and Management Discussion and Analysis set out on page 3, pages 4 to 5 and pages 6 to 10 of this Annual Report respectively. These discussions form part of this Report of Directors.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Risks relating to the industry

Business of the Group depends substantially on the global economic and market conditions. During periods of slowing economic growth or recession, consumer spending may drop as customers are less willing to spend money. As our products are ultimately sold by our ultimate brand owners as part of their products to consumers in the high-end retail market, a drop in consumer spending power in luxury products could lead to a drop in demand for the brand owners' products, and in turn lower the demand of our products and thereby adversely affecting our results of operations and financial condition. To manage and reduce the risk, the Board intends to focus on stainless steel products, target high-end customers, and diversify our product portfolio by extending our product category to accessories for mobile phone and wearable devices, and makes prudent decision on expansion plans.

Risks relating to concentration of customers

The largest and top five customers of the Group accounted for approximately 25.7% and 74.5% of our total revenue for the year ended 31 December 2021 respectively (2020: 18.1% and 65.2%). There is no assurance that our business relationship with our major customers will continue in the future. To reduce the risk, the Group has expanded its customer base for high-end customers in which it has achieved an improvement.

Risks relating to conducting business in the PRC

Our results, financial condition and prospect are to a significant degree subject to the economic, political and legal developments in the PRC, as a substantial part of our assets and business operations are located in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. To manage the risk, the Board has appointed certain senior management to closely monitor the economic, political, legal, institutional and social developments in the PRC, and maintained conservative treasury policy in cash management, such as holding cash in Hong Kong.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches great importance to environmental protection and carefully takes various environmental factors into account in the operation and decision-making processes to optimise the use of resources, strictly comply with the applicable environmental regulations and other statutory requirements and reduce waste and pollution, as well as actively encourages its stakeholders to protect the environment and contribute to environmental protection.

We have adopted the following principles to minimise the impact on the environment from our operations:

- Comply with all relevant environmental regulations and other statutory requirements;
- Monitor, identify and review the impact from the Group's operations on the environment on a regular basis; and
- Require all staff to address environmental responsibilities, such as implementing green office measures, to enhance their environmental awareness.

The Group has constructed environmental facilities in its factories in the PRC. We have also established a system to monitor waste and sewage generated from production processes, and installed chemical sewage treatment facility to monitor proper disposal of contaminants, and make them fit for recycling to ensure the compliance with relevant environmental regulations and standards in the PRC.

The Group deals with hazardous waste cautiously. In addition to the compliance with statutory environmental requirements on storage of hazardous waste, additional waste disposal measures have been implemented. Such waste has been regularly disposed by qualified hazardous waste management companies recognised by local environmental protection bureau in accordance with environmental requirements in order to reduce adverse environmental impact.

In the meantime, the Group has introduced energy-saving facilities at the PRC's factories, in which energy-efficient lighting is adopted to reduce power consumption. In addition, an incentive system has been employed for use of raw materials to promote waste reduction and conservation of resources.

The Company believes that the environmental systems and facilities of our factories in the PRC have complied with the relevant national and local regulations on environmental protection in the PRC.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The principal activities of the Group during the year were development and manufacturing of stainless steel products such as watch bracelets, mobile phone cases and parts, smart wearable cases and parts, and fashion accessories. During the year, as far as the Company is aware, there was no material breach of non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Company is of the view that it has been maintaining a good relationship with the following key stakeholders of the Group:

- employees and workers
- major customers
- major suppliers, such as, suppliers for production materials and component parts
- bankers

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 40 of this Annual Report and in the accompanying notes to the consolidated financial statements.

The Board recommends the payment of a final dividend of HK3 cents (2020: HK3 cents) per ordinary share for the year ended 31 December 2021, amounting to approximately HK$18,000,000 in aggregate, by the Company to the Shareholders. The proposed final dividend is expected to be paid to Shareholders on 22 July 2022, subject to approval of Shareholders at the forthcoming annual general meeting.

RESERVES

As at 31 December 2021, reserves of the Company available for distribution to the Shareholders were approximately HK$338,032,000 (2020: HK$361,847,000). Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 34 to the consolidated financial statements on pages 42 and 83 of this Annual Report respectively. Under the Companies Law of the Cayman Islands (2021 Revised), as at 31 December 2021, the share premium account of the Company amounting to approximately HK$203,244,000 (2020: HK$213,244,000) is distributable to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account of the Company may also be distributed in the form of fully paid bonus shares to be issued to Shareholders.

DIVIDEND POLICY

The Company has adopted a dividend policy of distributing to its Shareholders all funds surplus to the operating needs of the Group as determined by the Board with a target dividend payout ratio in respect of each financial year of not less than 40% of profit attributable to its Shareholders.

The distribution of dividend depends on, among others, the Group's current and future operations, operating results, liquidity position, capital requirements, the interests of the Shareholders, dividends received from the Company's subsidiaries and associate companies, and other factors that the Board considered relevant.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group for the last five financial years is set out on page 86 of this Annual Report.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$324,000 (2020: HK$165,000).

FIXED ASSETS

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

To celebrate the 10th anniversary of the listing of the Company's shares on the Stock Exchange, the Company issued 100,000,000 bonus shares without consideration on the basis of one bonus share for five shares held in June 2021 ("Bonus Share Issue").

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

BORROWINGS
Details of the Group's borrowings as at 31 December 2021 are set out in note 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS
Other than the Share Option Scheme of the Company which has expired on 24 June 2021 as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS
The Directors during the year and up to the date of this Annual Report were:

Executive Directors
Mr. Yiu Hon Ming *(Chairman)*
Mr. Yiu Tat Sing *(Deputy Chairman)*
Mr. Li Chin Keung *(Managing Director)*
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald *(Finance Director)*
Ms. Yiu Ho Ting

Independent Non-executive Directors
Mr. Au Wai Ming
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

In accordance with article 84 of the Articles of Association of the Company, Mr. Li Chin Keung, Ms. Yiu Ho Ting, Mr. Au Wai Ming and Professor Wong Lung Tak Patrick shall retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Biographical details of Directors, senior management and Company Secretary of the Company as at the date of this Annual Report are set out on pages 11 to 14 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS
No Director 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS
During the year ended 31 December 2021, the Company has four Independent Non-executive Directors, namely, Mr. Au Wai Ming, Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam, representing one-third of the Board.

The Company has received from each of them an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of them to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS
Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year are set out in note 11 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this Annual Report, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

NON-COMPETITION UNDERTAKING

On 25 June 2011, the controlling shareholders of the Company, Mr. Yiu Hon Ming ("Mr. Yiu") and Ms. Law Wai Ping ("Ms. Law"), who are also Directors, entered into a deed of non-competition undertaking ("NCU Deed") with the Company under which each of Mr. Yiu and Ms. Law has undertaken that he/she will not, and will procure that his/her associates (other than members of the Group) will not:

(a) directly or indirectly whether as principal or agent or through any person, firm, company or organisation carry on, participate or be interested or engaged in any business in any form or manner that is, directly or indirectly, in competition with the business of any member of our Group in the PRC, Hong Kong or any part of the world in which any member of our Group may from time to time operate;

(b) directly or indirectly, solicit, interfere with or entice away from any member of our Group any person, firm, company or organisation who to, Mr. Yiu's and/or Ms. Law's knowledge, as at the date of the NCU Deed, was or had been or would after the date of the NCU Deed be, a customer, supplier, distributor or management, technical staff or employees (of managerial grade or above) of any member of our Group; and

(c) exploit his/her knowledge or information obtained from our Group to compete, directly or indirectly, with the business carried on by our Group from time to time.

During the year, both Mr. Yiu and Ms. Law have complied with the terms of the NCU Deed. Each of them have provided to the Company a written confirmation in respect of their compliance with the terms of NCU Deed on a half-yearly basis for the year.

The Independent Non-executive Directors have reviewed the status of compliance with the undertakings in the NCU Deed by Mr. Yiu and Ms. Law for the year ended 31 December 2021 and have confirmed that, as far as they can ascertain, Mr. Yiu and Ms. Law have complied with the terms of the NCU Deed for the year ended 31 December 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than the Lease Agreement as disclosed below, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or the Company's subsidiaries or holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, each Director and other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MANAGEMENT CONTRACTS

No contract 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme of the Company which has expired on 24 June 2021 as disclosed below, at no time during the year was the Company, or the Company's subsidiaries or holding companies or fellow subsidiaries, a party to any arrangements to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The share option scheme of the Company which was approved and adopted by the Board on 25 June 2011 ("Share Option Scheme") expired on 24 June 2021.

As at 31 December 2021, no option had been granted by the Company pursuant to the Share Option Scheme and no option was outstanding under the Share Option Scheme.

The purpose of the Share Option Scheme is to provide Directors, officers, employees and consultants of any member of our Group ("Participant(s)") with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme provides the Company with a flexible means to retain, incentivise, reward, remunerate, compensate and/or provide benefits to the Participants. The Share Option Scheme is administrated by the Board and the Remuneration Committee of the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the expired Share Option Scheme shall be 50,000,000 shares, representing approximately 8.33% of the Company's total issued share capital as at the expiry date of the Share Option Scheme and as at the date of this Annual Report.

Unless approved by Shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including exercised, cancelled and outstanding options) under the Share Option Scheme in any twelve-month period must not exceed 1 per cent of the shares in issue. Each grant of options to any Director, chief executive or substantial Shareholder, or any of their respective associates shall be subject to prior approval by Independent Non-executive Directors. Where any grant of options to a substantial Shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the twelve-month period: (a) representing in aggregate over 0.1 per cent of the shares of the Company then in issue; and (b) having an aggregate value in excess of HK$5,000,000, such grant of options shall be subject to prior approval by the Shareholders. No offer shall be made and no option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the shares of the Company by the Listing Rules or by any applicable rules, regulations or law.

The period within which the options must be exercised will be specified by the Company at the time of grant. Such period must expire no later than ten years from the date of grant.

The amount payable upon acceptance of an option is HK$1. At the time of grant of the options, the Company may specify any minimum period for which an option must be held before it can be exercised or any performance targets which must be achieved before the options can be exercised. The Share Option Scheme does not contain any such minimum period and any performance targets.

The subscription price for shares on the exercise of the options shall be no less than the higher of: (a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

A share to be allotted and issued upon the exercise of an option shall be subject to the provisions of the Articles of Association of the Company for the time being in force and will rank pari passu with the fully paid shares in issue on the date the name of the Participant shall be registered on the register of members of the Company. Prior to being registered on the register of members of the Company, the Participant is not entitled to any voting rights, or rights to participate in any dividends or distributions, in respect of the shares to be issued upon the exercise of the option.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2021, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company have taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(a) The Company

Director	*Notes*	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Yiu Hon Ming	*1*	Interest in controlled corporation and interest of spouse	398,040,000	66.34%
Law Wai Ping	*2*	Beneficial owner, interest in controlled corporation and interest of spouse	398,040,000	66.34%
Yiu Ho Ting	*3*	Beneficial owner and interest of spouse	6,909,600	1.15%
Au Wai Ming		Beneficial owner	4,531,200	0.76%
Yiu Tat Sing	*4*	Beneficial owner	1,980,000	0.33%
Li Chin Keung	*5*	Interest of spouse	964,800	0.16%

Notes:

1. Mr. Yiu Hon Ming ("Mr. Yiu") is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 396,000,000 shares of the Company. Mr. Yiu is the husband of Ms. Law Wai Ping ("Ms. Law"). By virtue of the SFO, Mr. Yiu is deemed to be interested in the same block of ordinary shares in which Ms. Law is interested.

2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 396,000,000 shares of the Company. In addition, Ms. Law is directly and beneficially interested in 2,040,000 shares of the Company. Ms. Law is the wife of Mr. Yiu. By virtue of the SFO, Ms. Law is deemed to be interested in the same block of ordinary shares in which Mr. Yiu is interested.

3. Ms. Yiu Ho Ting ("Ms. Yiu") is directly and beneficially interested in 5,688,000 shares of the Company. In addition, her husband, Mr. Cheung Justin Chi Yen ("Mr. Cheung"), is directly interested in 1,221,600 shares of the Company. By virtue of the SFO, Ms. Yiu is deemed to be interested in the same block of ordinary shares in which Mr. Cheung is interested.

4. Mr. Yiu Tat Sing is directly and beneficially interested in 1,980,000 shares of the Company. In addition, he has an interest of approximately 11.77% of the entire issued share capital of Winholme Holdings Limited which holds 51,000,000 shares of the Company, representing approximately 8.50% of the entire issued share capital of the Company.

5. Ms. Cheung Wing Yan ("Ms. Cheung"), wife of Mr. Li Chin Keung ("Mr. Li"), is directly interested in 964,800 shares of the Company. By virtue of the SFO, Mr. Li is deemed to be interested in the same block of ordinary shares in which Ms. Cheung is interested. In addition, he has an interest of approximately 8.82% of the entire issued share capital of Winholme Holdings Limited which holds 51,000,000 shares of the Company, representing approximately 8.50% of the entire issued share capital of the Company.

(b) Associated Corporations

Director	*Notes*	Associated corporation	Capacity	Total number of securities interested in associated corporation (Long positions)	Approximate percentage of total issued share capital of associated corporations
Yiu Hon Ming	*1*	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	60 ordinary shares	60%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%
Law Wai Ping	*2*	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	40 ordinary shares	40%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%

Notes:

1. Mr. Yiu is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 396,000,000 shares of the Company.

2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 396,000,000 shares of the Company.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company have taken or deemed to have under such provisions of the SFO); (ii) entered in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2021, each of the following persons and entities, other than a Director or chief executive of the Company, had or were deemed to have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	*Notes*	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Ming Fung Investment Limited	*1*	Beneficial owner	396,000,000	66%
Ming Fung Holdings (Hong Kong) Limited	*1*	Interest in controlled corporation	396,000,000	66%
Winholme Holdings Limited	*2*	Beneficial owner	51,000,000	8.5%
Tang Wai Fong	*3*	Interest in controlled corporation	51,000,000	8.5%
Chan Kai Ming	*4*	Interest in controlled corporation	51,000,000	8.5%
Leung Wai Yin Edith	*5*	Interest of spouse	51,000,000	8.5%
Webb David Michael	*6*	Beneficial owner and interest in controlled corporation	36,392,000	6.06%

Notes:

1. Ming Fung Holdings (Hong Kong) Limited is interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited.

2. Mr. Li Chin Keung, the Managing Director of the Company and an Executive Director, is the legal and beneficial owner of approximately 8.82% of the entire issued share capital of Winholme Holdings Limited. Mr. Yiu Tat Sing, the Deputy Chairman of the Board and an Executive Director, is the legal and beneficial owner of approximately 11.77% of the entire issued share capital of Winholme Holdings Limited.

3. Ms. Tang Wai Fong is the legal and beneficial owner of approximately 44.12% of the entire issued share capital of Winholme Holdings Limited.

4. Mr. Chan Kai Ming is the legal and beneficial owner of approximately 35.29% of the entire issued share capital of Winholme Holdings Limited.

5. Ms. Leung Wai Yin Edith is the wife of Mr. Chan Kai Ming. By virtue of the SFO, she is deemed to be interested in the same block of shares in which Mr. Chan Kai Ming is interested.

6. Of the 36,392,000 shares of the Company held by Mr. David Michael Webb, 13,992,000 shares of the Company were held directly by him, while 22,400,000 shares of the Company were held through his wholly owned company, Preferable Situation Assets Limited.

Save as disclosed above, as at 31 December 2021, the Company has not been notified by any person or entity who had or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 27 to 35 of this Annual Report.

RELATED PARTIES TRANSACTIONS

On 31 March 2021, Fengtai (Dongguan) Technology Development Service Company Limited* ("Fengtai Co") as the lessor and Yingtai Precision Manufacturing Technology (Dongguan) Company Limited, an indirect wholly-owned subsidiary of the Company in the PRC, as the lessee entered into a lease agreement ("Lease Agreement") for the lease of level one, two and three of Block V of the factory building situated at 60 Lianying Road, Xin Malian Village, Dalang Town, Dongguan City, Guangdong Province, the PRC with an aggregate gross floor area of 15,524 square meters ("Premises") for a term of two years commencing on 1 April 2021 for a total rent of approximately RMB7.45 million (equivalent to approximately HK$8.82 million).

Fengtai Co (a limited liability company established in the PRC) is indirectly wholly-owned by Field Gain Investments Limited (a limited liability company incorporated in the British Virgin Islands) which is in turn held as to (i) 50% by Mr. Yiu Hon Ming, the Chairman of the Board and an Executive Director, and (ii) 50% by Mr. Yiu Tat Sing, the Deputy Chairman of the Board and an Executive Director. Therefore, Fengtai Co is an associate of Mr. Yiu Hon Ming and Mr. Yiu Tat Sing, and constitutes a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Pursuant to HKFRS 16, the Premises leased under the Lease Agreement was recognised by the Group as right-of-use assets with the estimated value of approximately RMB7.16 million (equivalent to approximately HK$8.48 million), and the transaction contemplated under the Lease Agreement is recognised as the acquisition of right-of-use assets which constitutes an one-off connected transaction of the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio stipulated under Rule 14.07 of the Listing Rules in respect of the Lease Agreement on the basis of the estimated value of right-of-use assets in the amount of approximately RMB7.16 million (equivalent to approximately HK$8.48 million) exceeds 0.1% but does not exceed 5%, the transaction contemplated under the Lease Agreement is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Group has since September 2020 been leasing level two of the Premises with an aggregate gross floor area of 5,127 square meters (i.e. part of the Premises) from Fengtai Co for carrying out its production of smart wearable cases and parts. In line with the Group's expansion plan with a focus of smart wearable cases and parts, the Group considers it necessary to expand its production capacity and a larger premises in the proximity would therefore be necessary to meet with the needs of such plan. The Directors are of the view that the leasing of two additional levels of the same factory building where the Group's existing production facilities are located would facilitate a smooth expansion of the Group's production of smart wearable cases and parts.

The details of the connected transaction above are set out in the announcement of the Company dated 31 March 2021.

Save as the connected transaction above, the related party transactions in respect of the fee received for management and administrative service and the lease agreement entered with Mr. Yiu Hon Ming as set out in note 30 to the consolidated financial statements constituted exempt connected transactions under Rules 14A.76(1) and 14A.98 of the Listing Rules respectively. The Company confirmed that it had complied with the disclosure requirements under Chapter 14A of the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2021, the largest and top five customers of the Group accounted for approximately 25.7% and 74.5% of the total revenue of the Group respectively (2020: 18.1% and 65.2%).

The aggregate purchases during the year attributable to the Group's largest and top five suppliers were approximately 14.8% and 40.4% of the Group's total purchases respectively (2020: 12.0% and 36.5%).

To the best knowledge of the Directors, none of the Directors, their close associates (within the meaning of Part XV of the SFO) or any Shareholder (holding more than 5% of the Company's share capital) had any interest in the five largest customers and/or suppliers of the Group during the year.

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

During the year ended 31 December 2021, the Company sold two fractional shares arising from the Bonus Share Issue through private arrangement for an aggregate amount (excluding expenses) of HK$2.48.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021 and up to the date of this Annual Report.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the Company's total issued share capital held by the public during the year and up to the date of this Annual Report.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 21 June 2013, Winox Enterprise, as borrower, entered into a facilities letter with a financial institution in relation to two term loans, which are interest bearing and secured, at the amounts of HK$40,000,000 (converted to committed loan on 27 December 2013, and is repayable by 12 equal quarterly instalments and was fully repaid in September 2016) and HK$60,000,000 (converted to committed loan on 24 March 2014 for the first 2 years from the loan drawdown date and is repayable by 28 equal quarterly instalments) respectively. HK$30,000,000 was drawn on 25 June 2014 and was fully repaid on 30 June 2021, and HK$30,000,000 was drawn on 25 September 2014 and was fully repaid on 24 September 2021, from the latter loan.

On 24 November 2015, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to a term loan of up to HK$70,000,000. The loan facility (a) is interest bearing and secured; (b) is repayable by 20 equal quarterly instalments commencing three months after first drawdown; and (c) contains repayment on demand clause at the discretion of the financial institution which was effective after 22 months from the date of the first drawdown. HK$35,000,000 was drawn on 28 December 2015 and was fully repaid on 28 December 2020, and HK$35,000,000 was drawn on 15 March 2016 and was fully repaid on 15 March 2021.

On 14 February 2020, Max Surplus Corporation Limited ("Max Surplus), a wholly-owned subsidiary of the Company, and Winox Enterprise, as borrowers, entered into a letter of banking facility with the same financial institution respectively, for a term loan facility in an aggregate principal amount of up to HK$65,000,000. The loan facilities (a) are interest bearing, secured for Winox Enterprise and not secured for Max Surplus; (b) are repayable by 36 equal monthly instalments, commencing one month after drawdown if the loans under the facilities are used to finance the general working capital requirements of the Group, or are repayable by 60 equal monthly instalments, commencing one month after drawdown if the loans under the facilities are used to finance the capital expenditure requirements of the Group; and (c) contain repayment on demand clause at the discretion of the financial institution. In 2020, HK$20,000,000 was drawn on 16 April 2020 and HK$15,000,000 was drawn on 27 May 2020. In 2021, HK$20,000,000 was drawn on 22 March 2021 and HK$10,000,000 was drawn on 7 April 2021. All are repayable by 60 equal monthly instalments, commencing one month after drawdown.

On 22 October 2021, Max Surplus, as borrower, entered into a letter of banking facility with the same financial institution, for a revolving loan facility in a principal amount of US$1,000,000 and a term loan facility in a principal amount of HK$150,000,000. The revolving loan under this facilities will be used for premium financing of a life insurance policy. The rights, interest and benefits in and under the insurance policy will be assigned to the lender as a security for the term loan under this facilities. The term loan under this facilities, which is available for drawdown within 15 months after the acceptance day of the facility letter, will be used to finance the capital expenditure requirements of the Group and the principal of the term loan will be repayable by 60 equal monthly instalments, commencing one month after drawdown.

Pursuant to these facilities letters, the controlling shareholder of the Company, Mr. Yiu Hon Ming and his family are required, at all times, to hold not less than 50% of the issued shares of the Company ("Specific Performance Obligations"). The breach of the Specific Performance Obligations will cause a default in respect of these loan facilities and the financial institution shall have the right to terminate the commitments and declare all outstanding amounts together with interests accrued thereon and all other sums payable under these loan facilities be immediately due and payable.

As at 31 December 2021, the amount of loan outstanding under these loan facilities was approximately HK$49,250,000 and the unutilised facilities available for drawdown amounted to HK$159,799,000.

TAX RELIEF AND EXEMPTION

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

INDEPENDENT AUDITOR

During the year, Messrs. Deloitte Touche Tohmatsu was appointed as the independent auditor of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Yiu Hon Ming
Chairman

Hong Kong, 31 March 2022

Corporate Governance Report

The Company is committed to establishing and maintaining high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximise Shareholders' interests.

Throughout the year ended 31 December 2021, the Company has applied the principles of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules and complied with all the applicable code provisions of the CG Code.

The Company has formulated and adopted its corporate governance policy ("CG Policy") and it is the responsibility of the Board to perform the corporate governance duties. The CG Policy outlines certain essential corporate governance principles under the CG Code and intends to provide appropriate guidance on the effective application and promotion of corporate governance principles in the Company. The CG Policy is available on the website of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Model Code applies to Directors, relevant employees and officers who are likely to be in possession of unpublished price-sensitive information of the Company. Having made specific enquiry of all Directors, each of them confirmed that he/she has complied with the required standard set out in the Model Code during the year ended 31 December 2021 and up to the date of this Annual Report.

THE BOARD

The Board guides and monitors the business and affairs of the Company to enhance long-term Shareholders' value. It is also the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

Board Composition

During the year, the Board consisted of ten Directors (including the Chairman), amongst which six are Executive Directors and four are Independent Non-executive Directors.

Executive Directors
Mr. Yiu Hon Ming *(Chairman)*
Mr. Yiu Tat Sing *(Deputy Chairman)*
Mr. Li Chin Keung *(Managing Director)*
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald *(Finance Director)*
Ms. Yiu Ho Ting

Independent Non-executive Directors
Mr. Au Wai Ming
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

The Board focuses on formulating the Group's overall strategic strategies, monitoring performance, and providing leadership and control for effective management. The Board has delegated the authority and responsibility for business strategies implementation and day-to-day administration and operations of the Group's business to the Managing Director and senior management.

Major corporate matters that are specifically reserved to the Board include but not limited to:

- formulating the Group's business strategies;
- establishing corporate governance and internal control system; and
- monitoring performance of the management and providing guidance to the management.

Major duties and responsibilities of senior management include but not limited to:

- setting up offices for companies of the Group;
- executing business strategies and initiatives adopted by the Board;
- implementing proper and sufficient internal control systems and risk management procedures; and
- ensuring compliance with relevant statutory requirements and rules and regulations.

There was in place a directors' and officers' liabilities insurance coverage in respect of legal actions against the Directors and officers of the Company arising from corporate activities during the year.

Biographical details of Directors, which demonstrate a diversity of skills, expertise, experience and qualifications in the Board, are set out in the section entitled "Directors, Senior Management and Company Secretary" of this Annual Report. Save as disclosed herein, there is no financial, business, family or other material/relevant relationship between Board members.

Independent Non-Executive Directors

The Board has four Independent Non-Executive Directors, namely, Mr. Au Wai Ming, Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam, representing at least one-third of the Board. Each of the Independent Non-Executive Directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided to the Company the requisite annual confirmation as to his independence. None of the Independent Non-Executive Directors has any business with or significant financial interests in the Group and therefore the Company considers all Independent Non-Executive Directors to be independent.

Professor Wong Lung Tak Patrick, an Independent Non-executive Director, is a practising certified public accountant in Hong Kong who possesses over 50 years of experience in the accountancy profession. He has appropriate accounting and related financial management expertise.

All Independent Non-executive Directors were appointed with specific term of 3 years and are subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company.

Directors' Commitments and Continuous Professional Development

The Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2021. Directors have disclosed to the Company the number and nature of offices held in Hong Kong and overseas listed public companies or organisations.

Each newly appointed Director receives an induction on his/her appointment to ensure that he/she has proper understanding of the operations and business of the Group and is fully aware of his/her responsibilities and obligations under the Listing Rules, applicable laws and other relevant statutory requirements. Directors are continually provided with updates on statutory and regulatory developments, and evolution of the business environment so as to facilitate them to discharge their duties.

According to the records maintained by the Company, Directors received continuous professional development with an emphasis on the roles, functions and duties of being a director of a listed company in compliance with code provision C.1.4 of the CG Code during year ended 31 December 2021:

	Corporate governance/ updates on laws, rules & regulations	Accounting/ financial/ management or other professional skills
Executive Directors		
Yiu Hon Ming	✓	✓
Yiu Tat Sing	✓	✓
Li Chin Keung	✓	✓
Law Wai Ping	✓	✓
Chau Kam Wing Donald	✓	✓
Yiu Ho Ting	✓	✓
Independent Non-executive Directors		
Au Wai Ming	✓	✓
Carson Wen	✓	✓
Wong Lung Tak Patrick	✓	✓
Wu Ming Lam	✓	✓

AUDIT COMMITTEE

The Audit Committee of the Company was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Audit Committee comprises wholly Independent Non-executive Directors.

Members of the Audit Committee

Professor Wong Lung Tak Patrick *(Chairman)*
Mr. Au Wai Ming
Mr. Carson Wen
Mr. Wu Ming Lam

Main functions of the Audit Committee are:

- reviewing accounting policies and practices, and supervising financial reporting process;
- monitoring the performance of both the internal and external auditors;
- reviewing and examining the effectiveness of risk management and internal control systems;
- considering major investigation findings on risk management and internal control matters; and
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements.

The Audit Committee is provided with sufficient resources to discharge its responsibilities. For the year ended 31 December 2021, the Audit Committee held four meetings, among others, to review with external auditor and senior management the interim and annual results of the Group as well as the accounting principles and practices being adopted, internal control and financial reporting matters. Our Finance Director, senior management, internal auditor and external auditor, as appropriate, attended the meetings to respond to any queries raised by the Audit Committee. The Audit Committee also reviewed the external auditor's independence and made recommendations to the Board on the re-appointment of external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Remuneration Committee comprises five members, amongst which four are Independent Non-executive Directors and one is Executive Director.

Members of the Remuneration Committee

Professor Wong Lung Tak Patrick *(Chairman)*
Mr. Yiu Hon Ming
Mr. Au Wai Ming
Mr. Carson Wen
Mr. Wu Ming Lam

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of Directors and senior management, with reference to their duties, responsibilities and performance, and the results of the Group. No Director will be involved in deciding his/her own remuneration.

For the year ended 31 December 2021, the Remuneration Committee held one meeting to review and approve the 2020 performance bonus proposal of the Company, and discuss the remuneration packages of Directors and senior management of the Company.

Remuneration of Directors and Senior Management

Particulars in relation to the remuneration of the Directors and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2021 is set out below:

	Number of Individuals
HK$500,001 – HK$1,000,000	1

NOMINATION COMMITTEE

The Nomination Committee of the Company was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the Company's website. The Nomination Committee comprises five members, amongst which four are Independent Non-executive Directors and one is Executive Director.

Members of the Nomination Committee

Mr. Yiu Hon Ming *(Chairman)*
Mr. Au Wai Ming
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

The Nomination Committee, with the aim to build up a strong and diverse Board, is responsible for identifying suitable and qualified individuals, in particular those who can add value to the management through their expertise in relevant strategic business areas, to be Board members, and recommending to the Board on relevant matters relating to the appointment and re-appointment of Directors, if necessary. Details of the procedure for Shareholders to propose a person for election as a Director are outlined in the "Nomination Policy" which is available on the Company's website.

For the year ended 31 December 2021, the Nomination Committee held one meeting to review the structure, size and composition (including the skills, knowledge and experience) of the Board, assess the independence of Independent Non-executive Directors and make recommendations to the Board on the re-appointment of Directors taking into account their experience and qualifications.

Board Diversity Policy

On 23 August 2013, the Nomination Committee adopted a board diversity policy of the Company which sets out the approach to achieve diversity on the Board. The Board recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of the Group's business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the candidates' merits and contributions to the Board. The Nomination Committee reviews the board diversity policy, as appropriate, to ensure its effectiveness from time to time. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of gender, professional background and skills.

BOARD AND COMMITTEE MEETINGS

During the year ended 31 December 2021, the Board held five meetings. At these meetings, the Board, among others, reviewed and discussed the Group's business updates and strategies. The individual attendance record of each Director at the Board meetings, Board committee meetings and general meetings during the year is set out below:

	Number of meetings attended/held						
Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Environmental, Social and Governance Committee	Internal Control Committee	General meeting
Executive Directors							
Yiu Hon Ming	5/5	N/A	1/1	1/1	N/A	1/1	1/1
Yiu Tat Sing	5/5	N/A	N/A	N/A	2/2	N/A	1/1
Li Chin Keung	5/5	N/A	N/A	N/A	2/2	1/1	1/1
Law Wai Ping	5/5	N/A	N/A	N/A	N/A	N/A	1/1
Chau Kam Wing Donald	5/5	N/A	N/A	N/A	2/2	N/A	1/1
Yiu Ho Ting	5/5	N/A	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors							
Au Wai Ming	5/5	4/4	1/1	1/1	N/A	N/A	1/1
Carson Wen	3/5	2/4	1/1	1/1	N/A	N/A	1/1
Wong Lung Tak Patrick	5/5	4/4	1/1	1/1	N/A	N/A	1/1
Wu Ming Lam	5/5	4/4	1/1	1/1	N/A	N/A	1/1

Minutes of the Board and Board committee meetings are recorded in sufficient details including any matters considered, decisions reached, concerns or queries raised or dissenting views expressed by the Directors in meetings. Draft and final versions of minutes of the Board and Board committees are sent to all Directors or Board committee members for comments and records respectively within a reasonable time after meetings.

COMPANY SECRETARY

The Company has engaged an external service provider as its Company Secretary since 12 June 2014. The Finance Director of the Company is the contact person of the external service provider. The biographical detail of the Company Secretary is disclosed in the section entitled "Directors, Senior Management and Company Secretary" of this Annual Report. During the year, the Company Secretary undertook over 15 hours of relevant professional training to update her skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group's risk management framework and the responsibilities of each delegated group within it are as follows:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Assists the Board to perform its responsibilities of risk management and internal control systems;
- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;
- Ensures the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions; and
- Considers major investigation findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Follows up the findings on risk management and internal control matters raised by the internal audit team and take prompt remedial action to improve the systems; and
- Provides confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Team

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and
- Reports review findings to the Audit Committee and makes recommendations to the Board and management to improve the material system deficiencies or control weaknesses identified.

The Group's internal audit function is performed by an internal audit team. The internal audit team plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to the Audit Committee. It conducts internal audit reviews on material internal control systems covering major financial, operational and compliance controls, as well as risk management functions. It reports to the Audit Committee on a quarterly basis and recommends remedial plans to management for any internal control deficiencies identified. It monitors the implementation of its recommendations by the management and reports the outcome to the Audit Committee.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems and considered them to be effective and adequate during the year.

HANDLING INSIDE INFORMATION

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

SHAREHOLDERS' RIGHTS

Shareholders convening an extraordinary general meeting

Pursuant to article 58 of the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to request an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, Shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the Shareholders as a result of the failure of the Board shall be reimbursed to the Shareholders by the Company.

Shareholders' enquiries and proposals

To foster regular and contribute two-way communications amongst the Company, its Shareholders and potential investors, the Company Secretary is designated to respond to enquiries and proposals from Shareholders as well as the public. Shareholders' enquiries and proposals can be made via email at info@winox.com or by phone at (852) 23493776. In addition, the Company is committed to maximising the use of its website (www.winox.com) as a channel to provide updated information in a timely manner and to strengthen the communications with Shareholders and the public. The Company has formulated its shareholders communication policy ("Shareholders Communication Policy") which enables Shareholders to exercise their rights in an informed manner. The Shareholders Communication Policy is available on the Company's website.

Publications of the Company's documents

The following documents of the Company are available on the Company's website for Shareholders' reference:

- List of Directors and their Role and Functions
- Memorandum and Articles of Association
- Terms of Reference of Audit Committee
- Terms of Reference of Nomination Committee
- Terms of Reference of Remuneration Committee
- Corporate Governance Policy
- Nomination Policy
- Shareholders Communication Policy
- Whistle-blowing Policy

INVESTOR RELATIONS

The Company recognises the importance to maintain effective communication with the financial community and other stakeholders in order to achieve a fair valuation on the Company's securities as well as to enhance Shareholders' value. Effective communication process involves the provision of accurate, complete and transparent information of the Company on timely and equal bases. During the year, the Company arranged meetings and interviews with various institutional investors.

AUDITOR'S REMUNERATION

An analysis of the remuneration payable to the Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, to perform audit and non-audit services for the year ended 31 December 2021 is as follows:

Services rendered	2021 HK$'000	2020 HK$'000
Audit service	1,530	1,480
Non-audit service	330	320

The non-audit services include professional services in relation to the Company's interim results and preliminary results announcements.

OTHER SPECIFIC DISCLOSURES

During the year, there were no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

Directors have acknowledged their responsibility for preparing all information and representations contained in the consolidated financial statements of the Company for the year ended 31 December 2021.

Directors consider that the consolidated financial statements of the Company for the year ended 31 December 2021 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 judgments of the Board and management of the Company with an appropriate consideration to materiality.

Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Company for the year ended 31 December 2021 on a going concern basis.

Deloitte.　德勤

To the Shareholders of Winox Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Winox Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 85, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of management judgement and estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As set out in note 20 to the consolidated financial statements, as at 31 December 2021, the Group's trade receivables amounted to HK$358,855,000, which represented approximately 22.3% of total assets of the Group and out of these trade receivables, HK$157,928,000 were past due. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on individual assessment, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information. During the year ended 31 December 2021, the Group has recognised an impairment allowance for trade receivables of HK$1,660,000..	Our procedures in relation to evaluating the impairment assessment of trade receivables included: • Obtaining an understanding of how the management estimates the ECL allowance for trade receivables; • Testing the integrity of information used by management, including aging analysis of trade receivables as at 31 December 2021, on a sample basis, by comparing individual items in the analysis with the sales invoices; • Challenging management's basis and judgement in determining ECL allowance on trade receivables as at 31 December 2021, including the assessment of internal credit rating, basis of estimated loss rates applied in individual trade debtors (with reference to historical default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 32 to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- 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.

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

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner on the audit resulting in the independent auditor's report is Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	*5*	**1,385,113**	1,187,440
Cost of sales		**(1,088,012)**	(947,279)
Gross profit		**297,101**	240,161
Other income	*6*	**8,736**	21,764
Other gains and losses	*7*	**(6,557)**	(17,172)
Impairment losses on financial assets under expected credit loss model	*8*	**(2,024)**	–
Selling and distribution costs		**(24,899)**	(13,344)
Administrative and other expenses		**(161,820)**	(117,494)
Finance costs	*9*	**(4,735)**	(4,284)
Profit before taxation	*10*	**105,802**	109,631
Taxation	*12*	**(11,383)**	(13,546)
Profit for the year		**94,419**	96,085
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**24,830**	58,331
Total comprehensive income for the year		**119,249**	154,416
			(restated)
Earnings per share – Basic	*13*	**HK15.7 cents**	HK16.0 cents

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**575,220**	521,480
Right-of-use assets	*16*	**75,069**	68,575
Refundable rental deposit		**1,139**	–
Deposit for land use rights	*17*	**22,209**	21,635
Deposits paid for acquisition of property, plant and equipment		**21,826**	17,947
Deposits and prepayments for a life insurance policy	*18*	**3,706**	3,923
		699,169	633,560
Current assets			
Inventories	*19*	**134,670**	118,075
Trade and other receivables	*20*	**561,204**	303,473
Taxation recoverable		**8,045**	4,112
Bank balances and cash	*21*	**207,002**	174,638
		910,921	600,298
Current liabilities			
Trade and other payables	*22*	**332,376**	251,632
Taxation payable		**8,743**	6,660
Bank borrowings	*23*	**258,234**	72,493
Lease liabilities	*24*	**5,195**	340
		604,548	331,125
Net current assets		**306,373**	269,173
Total assets less current liabilities		**1,005,542**	902,733
Non-current liability			
Lease liabilities	*24*	**4,443**	2,883
Net assets		**1,001,099**	899,850
Capital and reserves			
Share capital	*26*	**60,000**	50,000
Reserves		**941,099**	849,850
Total equity		**1,001,099**	899,850

The consolidated financial statements on pages 40 to 85 were approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

YIU HON MING
DIRECTOR

CHAU KAM WING DONALD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	50,000	213,244	(49,421)	546,611	760,434
Profit for the year	–	–	–	96,085	96,085
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive income for the year	–	–	58,331	–	58,331
Total comprehensive income for the year	–	–	58,331	96,085	154,416
Dividends paid (note 14)	–	–	–	(15,000)	(15,000)
At 31 December 2020	50,000	213,244	8,910	627,696	899,850
Profit for the year	**–**	**–**	**–**	**94,419**	**94,419**
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive income for the year	**–**	**–**	**24,830**	**-**	**24,830**
Total comprehensive income for the year	**–**	**–**	**24,830**	**94,419**	**119,249**
Dividends paid (note 14)	**–**	**–**	**–**	**(18,000)**	**(18,000)**
Issue of bonus shares (note 26)	**10,000**	**(10,000)**	**–**	**–**	**–**
At 31 December 2021	**60,000**	**203,244**	**33,740**	**704,115**	**1,001,099**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit before taxation	**105,802**	109,631
Adjustments for:		
Interest income	**(192)**	(246)
Interest expenses on lease liabilities	**415**	185
Interest expenses on bank borrowings	**4,320**	4,099
Depreciation of property, plant and equipment	**60,328**	53,842
Depreciation of right-of-use assets	**5,522**	2,424
Impairment losses on financial assets under expected credit loss model	**2,024**	–
Loss on disposal of property, plant and equipment	**2,226**	333
Imputed interest income from deposit and prepayment for a life insurance policy	**(108)**	(168)
Premium charges on a life insurance policy	**325**	326
Gain on lease modification	**–**	(27)
Operating cash flows before movements in working capital	**180,662**	170,399
(Increase) decrease in inventories	**(12,619)**	23,187
(Increase) decrease in trade and other receivables	**(247,252)**	34,358
Increase (decrease) in trade and other payables	**77,000**	(7,264)
Cash (used in) generated from operations	**(2,209)**	220,680
Hong Kong Profits Tax paid	**(4,696)**	(34,240)
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") paid	**(12,609)**	(11,186)
Hong Kong Profits Tax refunded	**3,998**	2,522
Net cash (used in) from operating activities	**(15,516)**	177,776
Investing activities		
Purchase of property, plant and equipment	**(90,094)**	(76,294)
Deposits paid for acquisition of property, plant and equipment	**(21,522)**	(16,945)
Payment of refundable rental deposit	**(780)**	(312)
Payment for right-of-use asset	**–**	(5,906)
Proceeds from disposal of property, plant and equipment	**495**	20
Interest received	**192**	246
Refund of refundable rental deposit	**117**	–
Net cash used in investing activities	**(111,592)**	(99,191)
Financing activities		
Repayment of bank borrowings	**(139,613)**	(90,111)
Dividends paid	**(18,000)**	(15,000)
Interest paid on bank borrowings	**(4,080)**	(3,940)
Repayment of lease liabilities	**(3,903)**	(25,923)
Interest paid on lease liabilities	**(415)**	(185)
Bank borrowings raised	**322,259**	90,398
Net cash from (used in) financing activities	**156,248**	(44,761)
Net increase in cash and cash equivalents	**29,140**	33,824
Cash and cash equivalents at beginning of the year	**174,638**	137,292
Effect of foreign exchange rate changes	**3,224**	3,522
Cash and cash equivalents at end of the year, representing bank balances and cash	**207,002**	174,638

1. GENERAL INFORMATION

Winox Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company and ultimate holding company are Ming Fung Investment Limited and Ming Fung Holdings (Hong Kong) Limited, companies with limited liabilities incorporated in the British Virgin Islands. Its ultimate controlling shareholder is Mr. Yiu Hon Ming ("Mr. Yiu"), who is also the chairman and executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information and Key Dates" in the annual report. The Company is an investment holding company and the principal activities of its principal subsidiaries are set out in note 35.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures".

As at 1 January 2021, the Group has certain bank borrowings, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liability are shown at their carrying amounts.

	HKD Hong Kong Interbank Offered Rate ("HIBOR") HK$'000
Financial liability	
Bank borrowings	48.090

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 32.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.2 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 "Inventories")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

(i) *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

(ii) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of factory premise and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

(iii) *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

(iv) Refundable rental deposit

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(v) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(vi) Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of stainless steel products are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Deposit and prepayment for a life insurance policy

Deposit and prepayment for a life insurance policy is stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial assets or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, bank balances and refundable rental deposit) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables. ECL is assessed separately for receivables fully backed by bank bills and not backed by bank bills. To measure the ECL, trade receivables not backed by bank bills are assessed for debtors with significant balances or credit-impaired balances are assessed individually. Debtors with trade receivables backed by bank bills are assessed individually taking into consideration of the credit rating and reputation of the banks issuing the bills.

For all other instruments, the Group measures the ECL allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other year and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Retirement benefits costs

Payments to retirement benefits plans and government-managed retirement benefits schemes are charged as an expense when employees have rendered service, entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, and annual leave) after deducting any amount already paid.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition from sales of products with no alternative use at a point in time

Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. After considering the contract terms and the relevant local laws that apply to those relevant contracts, the management of the Group does not expect the Group has an enforceable right to payment performance completed to date. Accordingly, the related revenue is recognised at a point in time.

Key sources of estimation uncertainty

The key assumption 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 within the next financial year, is described below.

Impairment assessment of trade receivables

The management of the Group estimates the amount of lifetime ECL of trade receivables based on individual assessment, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information. At every reporting date, the default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2021, the carrying amount of trade receivables is HK$358,855,000 (2020: HK$251,950,000). During the year ended 31 December 2021, the Group recognised an impairment allowance for trade receivables under lifetime ECL (not credit-impaired) of HK$1,660,000 (2020:nil).

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in manufacture and trading of stainless steel products. Information reported to the members of executive directors of the Company, being the chief operating decision makers (the "CODM"), for the purposes of resources allocation and assessment of performance focuses on revenue analysis by products, including mobile phone cases and parts, watch bracelets, smart wearable cases and parts, and fashion accessories, and by geographic locations of customers, including PRC, Switzerland, Hong Kong, Vietnam, Liechtenstein and other European countries, Taiwan and other countries. However, other than revenue analysis, no operating results and other discrete financial information is available. In addition, the CODM reviews the results of the Group as a whole to make decisions. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

The revenue of the Group from manufacture and trading of stainless steel products is recognised when the goods are passed to the customers, which is the point of time when the customers have the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

The Group applies the practical expedient in HKFRS 15 and does not disclose information about transaction price allocated to remaining performance obligation as the performance obligation is part of a contract that has an original expected duration of one year or less.

Revenue from major products

Revenue by products are as follows:

	2021 **HK$'000**	2020 HK$'000
Mobile phone cases and parts	**567,465**	650,760
Watch bracelets	**376,687**	211,621
Smart wearable cases and parts	**361,196**	273,801
Fashion accessories	**79,765**	51,258
	1,385,113	1,187,440

Geographical information

Revenue from external customers based on locations of customers attributed to the Group by geographical areas is as follows:

	2021 **HK$'000**	2020 HK$'000
PRC	**742,454**	603,908
Switzerland	**359,472**	199,745
Hong Kong	**94,592**	102,688
Vietnam	**79,266**	17,894
Liechtenstein and other European countries	**75,856**	47,434
Taiwan	**30,471**	214,543
Other countries	**3,002**	1,228
	1,385,113	1,187,440

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

Information about the Group's non-current assets (excluding deposit and prepayment for a life insurance policy and refundable rental deposit) is presented based on the location of the assets.

	2021 HK$'000	2020 HK$'000
Hong Kong	**1,503**	816
PRC	**692,821**	628,821
	694,324	629,637

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2021 HK$'000	2020 HK$'000
Customer A[1]	**355,496**	192,063
Customer B[2]	**N/A**	188,830
Customer C[2]	**281,455**	215,323
Customer D[2 3]	**167,120**	N/A
Customer E[3]	**149,195**	N/A

Notes:

1 Revenue from sales of watch bracelets.

2 Revenue from sales of mobile phone cases and parts.

3 Revenue from sales of smart wearable cases and parts.

6. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grants (Note)	**2,956**	14,711
Income from sales of scrap materials, other parts and samples	**4,608**	6,054
Management and administrative service fee received (note 30(i))	**252**	252
Bank interest income	**192**	246
Imputed interest income from deposit and prepayment for a life insurance policy	**108**	168
Others	**620**	333
	8,736	21,764

Note: The unconditional government grants recognised during the current year are mainly related to research and development subsidy from PRC Government (2020: employment stabilisation subsidy and research and development subsidy from PRC Government, and the Employment Support Scheme from Hong Kong Government). During the prior year, the Group recognised government grants of HK$2,248,000 and HK$6,527,000 from Employment Support Scheme in respect of COVID-19-related subsidy from Hong Kong Government and employment stabilisation subsidy from PRC Government, respectively.

7. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Net foreign exchange loss	**(4,331)**	(16,866)
Loss on disposal of property, plant and equipment	**(2,226)**	(333)
Gain on lease modification	**–**	27
	(6,557)	(17,172)

8. IMPAIRMENT LOSSES ON FINANCIAL ASSETS UNDER EXPECTED CREDIT LOSS MODEL

	2021 HK$'000	2020 HK$'000
Impairment losses on:		
– trade receivables	**1,660**	–
– bills receivables	**364**	–
	2,024	–

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on:		
– bank borrowings	**3,092**	4,099
– loans related to bills discounted with recourse	**1,228**	–
– lease liabilities	**415**	185
	4,735	4,284

10. PROFIT BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	**6,097**	7,175
Other staff costs	**415,189**	343,951
Other staff's retirement benefits schemes contributions	**35,037**	14,059
Total staff costs	**456,323**	365,185
Less: Capitalised in inventories	**(363,624)**	(298,054)
	92,699	67,131
Auditor's remuneration	**1,530**	1,480
Cost of inventories recognised as expenses (including staff costs and depreciation capitalised in inventories)	**1,072,530**	939,675
Depreciation of right-of-use assets	**5,522**	2,424
Depreciation of property, plant and equipment	**60,328**	53,842
Less: Capitalised in inventories	**(43,526)**	(38,418)
	22,324	17,848
Premium charges on a life insurance policy	**325**	326

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments of directors and chief executive during the year are as follows:

	2021					2020				
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors										
Mr. Yiu	180	428	275	25	908	135	465	545	23	1,168
Ms. Law Wai Ping	180	428	105	25	738	135	465	210	23	833
Mr. Chau Kam Wing Donald	180	660	22	27	889	135	705	42	25	907
Mr. Li Chin Keung	180	780	550	27	1,537	135	726	1,090	25	1,976
Ms. Yiu Ho Ting	180	301	17	28	526	135	338	34	25	532
Mr. Yiu Tat Sing	180	296	275	28	779	135	334	545	25	1,039
Independent non-executive directors										
Mr. Au Wai Ming	180	–	–	–	180	180	–	–	–	180
Mr. Carson Wen	180	–	–	–	180	180	–	–	–	180
Professor Wong Lung Tak Patrick	180	–	–	–	180	180	–	–	–	180
Mr. Wu Ming Lam	180	–	–	–	180	180	–	–	–	180
Total emoluments	1,800	2,893	1,244	160	6,097	1,530	3,033	2,466	146	7,175

On 15 June 2020, Mr. Yiu has resigned and Mr. Li Chin Keung has been appointed as the Managing Director of the Company who is considered to be the chief executive, their emoluments for the year ended 31 December 2020 disclosed above include those for services rendered by them as the chief executive and executive director. Mr. Li Chin Keung's emoluments for the year ended 31 December 2021 disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the independent non-executive directors shown above were for their services as the directors of the Company.

The discretionary bonus is determined by reference to the individual performance of the directors and approved by the remuneration committee of the Company.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals included 2 (2020: 2) directors of the Company for the year ended 31 December 2021. Details of whose emoluments are included in above. The emoluments of the remaining highest paid individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000
Employees		
– salaries and other benefits	1,913	1,870
– discretionary bonus	1,300	2,730
– retirement benefits schemes contributions	70	63
	3,283	4,663

The emoluments of the employees were within the following bands:

	Number of employee	
	2021	2020
HK$500,000 to HK$1,000,000	1	N/A
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	N/A	1

During the year, no emoluments were paid by the Group to the directors, the chief executive or the five highest paid individuals (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive have waived any emoluments during the year.

12. TAXATION

	2021 HK$'000	2020 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	10,075	10,677
Overprovision in prior years	(20)	(60)
	10,055	10,617
PRC EIT		
Current year	2,388	5,987
Overprovision in prior years	(1,060)	(3,058)
	1,328	2,929
	11,383	13,546

12. TAXATION *(Continued)*

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

PRC EIT

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. Certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("HNTE") certificate in prior years and eligible to a tax rate of 15% for 3 years until 31 December 2022. The recognition as a HNTE is subject to review every three years by the relevant government bodies.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 200% (2020: 175%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the year.

Taxation for the year is reconciled to profit before taxation as follows:

	2021 HK$'000	2020 HK$'000
Profit before taxation	**105,802**	109,631
Tax charge at Hong Kong Profits Tax rate at 16.5% (2020: 16.5%)	**17,457**	18,089
Tax effect of income not taxable for tax purposes	**(52)**	(1,506)
Tax effect of expenses not deductible for tax purposes	**530**	98
Super Deduction of certain research and development expenses	**(5,910)**	(2,816)
Tax effect of tax losses not recognised	**1,353**	4,785
Tax effect of tax concession	**(4,871)**	(5,239)
Tax effect of different tax rates applied to subsidiaries in the PRC	**3,983**	3,240
Overprovision in prior years	**(1,080)**	(3,118)
Utilisation of tax losses previously not recognised	**(27)**	–
Others	**–**	13
Taxation for the year	**11,383**	13,546

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2021 HK$'000	2020 HK$'000
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to owners of the Company)	94,419	96,085

	Number of shares	
	'000	'000 (restated)
Weighted average number of shares for the purpose of calculating basic earnings per share	600,000	600,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for both years has been adjusted for issue of bonus shares that took place on 21 June 2021.

No diluted earnings per share for both years were presented as there were no potential ordinary shares in issue for both years.

14. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year:		
2021 interim dividend – HK0.5 cent per ordinary share	3,000	–
2020 final dividend – HK3 cents per ordinary share	15,000	–
2019 final dividend – HK3 cents per ordinary share	–	15,000
	18,000	15,000

On 31 March 2022, a final dividend of HK3 cents (2020: a final dividend of HK3 cents) per ordinary share in respect of the year ended 31 December 2021, totalling HK$18,000,000 (2020: HK$15,000,000), has been proposed by the board of directors of the Company. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2020	148,885	455,645	67,940	57,056	5,707	15,916	751,149
Currency realignment	10,178	29,909	3,933	5,709	306	583	50,618
Additions	–	54,886	14,147	–	194	26,117	95,344
Reclassification	–	–	–	34,617	–	(34,617)	–
Disposals	–	(1,519)	(2,099)	–	(79)	–	(3,697)
At 31 December 2020	**159,063**	**538,921**	**83,921**	**97,382**	**6,128**	**7,999**	**893,414**
Currency realignment	**4,226**	**13,279**	**1,811**	**2,777**	**128**	**331**	**22,552**
Additions	**–**	**60,284**	**5,568**	**–**	**31**	**36,625**	**102,508**
Reclassification	**–**	**–**	**–**	**28,102**	**–**	**(28,102)**	**–**
Disposals	**–**	**(8,188)**	**(346)**	**–**	**–**	**–**	**(8,534)**
At 31 December 2021	**163,289**	**604,296**	**90,954**	**128,261**	**6,287**	**16,853**	**1,009,940**
DEPRECIATION							
At 1 January 2020	38,278	206,346	47,807	7,920	3,435	–	303,786
Currency realignment	2,905	11,718	2,393	440	194	–	17,650
Provided for the year	4,631	36,228	10,233	2,230	520	–	53,842
Eliminated on disposals	–	(1,235)	(2,038)	–	(71)	–	(3,344)
At 31 December 2020	**45,814**	**253,057**	**58,395**	**10,590**	**4,078**	**–**	**371,934**
Currency realignment	**1,293**	**5,500**	**1,158**	**234**	**86**	**–**	**8,271**
Provided for the year	**4,965**	**45,734**	**6,002**	**3,122**	**505**	**–**	**60,328**
Eliminated on disposals	**–**	**(5,507)**	**(306)**	**–**	**–**	**–**	**(5,813)**
At 31 December 2021	**52,072**	**298,784**	**65,249**	**13,946**	**4,669**	**–**	**434,720**
CARRYING VALUES							
At 31 December 2021	**111,217**	**305,512**	**25,705**	**114,315**	**1,618**	**16,853**	**575,220**
At 31 December 2020	113,249	285,864	25,526	86,792	2,050	7,999	521,480

The buildings are situated in the PRC.

At 31 December 2021, the Group has pledged certain of its buildings of HK$33,119,000 (2020: HK$34,231,000) to a bank to secure the credit facilities granted to the Group.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	Over the shorter of the lease terms, or 3% – 5%
Plant and machinery	10% – 25%
Furniture, fixtures and equipment	10% – 20%
Leasehold improvements	Over the shorter of the lease terms, or 3.3% – 20%
Motor vehicles	10% – 20%

16. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased buildings HK$'000	Office equipment HK$'000	Total HK$'000
As at 31 December 2021				
Carrying amount	**68,496**	**6,494**	**79**	**75,069**
As at 31 December 2020				
Carrying amount	68,265	305	5	68,575
For the year ended 31 December 2021				
Depreciation	**1,545**	**3,958**	**19**	**5,522**
For the year ended 31 December 2020				
Depreciation	1,188	1,217	19	2,424

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases	**913**	1,457
Expense relating to lease of low-value assets, excluding short-term leases of low-value assets	**4**	7
Total cash outflow for leases	**5,235**	33,478
Additions to right-of-use assets	**10,165**	30,419

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For both years, the Group leases leasehold land, leased buildings and office equipment for its operations. Lease contracts are entered into for fixed term of 2 years to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings, where its manufacturing facilities are primarily located, and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Restrictions or covenants on leases

Lease liabilities of HK$9,638,000 are recognised with related right-of-use assets of HK$9,320,000 as at 31 December 2021 (2020: lease liabilities of HK$3,223,000 and related right-of-use assets of HK$3,074,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 24 and 32.

At 31 December 2021, the Group had pledged certain of its leasehold land of HK$5,510,000 (2020: HK$5,541,000) to a bank to secure the credit facilities granted to the Group.

17. DEPOSIT FOR LAND USE RIGHTS

A deposit of RMB18,158,000 (equivalent to HK$22,209,000) (2020: RMB18,158,000 (equivalent to HK$21,635,000)) was paid for land use right in prior year as the Group intended to construct a new production plant at Boluo County, Huizhou, PRC ("Huzhen Site"). The requisite construction land quota in respect of the Huzhen Site has not been granted and the development of production premises at Huzhen Site is postponed. At 31 December 2021, the transaction has not been completed. The directors of the Company considered it is in the interest of the Group to acquire more land for production use in order to cater for the long-term development plan of the Group. Accordingly, Group continues to negotiate with the local government authorities for the grant of the construction land quota and approval.

18. DEPOSITS AND PREPAYMENTS FOR A LIFE INSURANCE POLICY

In September 2010, a subsidiary of the Company entered into a life insurance policy (the "Policy") to insure Mr. Yiu. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is US$4,000,000 (equivalent to HK$31,000,000). At the inception of the Policy, the Group paid an upfront payment of US$800,000 (equivalent to HK$6,200,000). The Group will receive cash refund based on the net nominal account value of the Policy at the date of withdrawal. The Group will also receive an interest at interest rates guaranteed by the insurer.

At the date of initial recognition, the directors of the Company expected that the Policy would be terminated at 7th anniversary from date of inception, which is 2017, and there would be a specified surrender charge of US$97,560 (equivalent to HK$756,000) in accordance with the Policy. The directors of the Company reassessed the expected life of the Policy as a result of a new bank borrowing granted in 2016 and expected that the Policy will be terminated at 11th anniversary from date of inception, which is 2021, and there will be an expected surrender charge of US$54,200 (equivalent to HK$420,000).

During the year ended 31 December 2020, the directors of the Company further reassessed the expected life of the Policy due to the intention of renewing the existing banking facilities and expected that the Policy will be terminated at 16th anniversary from date of inception, which is 2026, and there will be no expected surrender charge.

The directors of the Company considered that the financial impact of the option to terminate the policy was not significant.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the life of the Policy.

At 31 December 2021 and 2020, the Policy was pledged to a bank to secure general banking facilities granted to the Group.

19. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**14,931**	17,438
Work in progress	**94,487**	67,809
Finished goods	**25,252**	32,828
	134,670	118,075

20. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**360,515**	251,950
Less: Allowance for ECL	**(1,660)**	–
	358,855	251,950
Bills receivables	**131,969**	–
Less: Allowance for ECL	**(364)**	–
	131,605	–
Prepayments and deposits	**8,034**	8,806
Value added tax recoverable	**60,979**	40,694
Refundable rental deposits	**–**	442
Others	**1,731**	1,581
	561,204	303,473

The trade receivables and bills receivables are from contracts with customers. As at 1 January 2020, trade receivables arising from contracts with customers amounted to HK$264,090,000.

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days by the customers from date of issuance. A longer credit period may be granted to large or long-established customers with good payment history.

The following is an aging analysis of trade receivables at the end of each reporting period based on the date of delivery, which approximated the respective revenue recognition dates.

	2021 HK$'000	2020 HK$'000
0 to 30 days	**174,176**	112,234
31 to 60 days	**150,105**	98,990
61 to 90 days	**23,682**	39,304
Over 90 days	**10,892**	1,422
	358,855	251,950

20. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2021, total bills received amounting to HK$131,605,000 (2020: nil) are held by the Group for future settlement of trade receivables, of which certain bills amounting to HK$131,331,000 (2020: nil) were discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of 4 months or less.

At 31 December 2021, included in the Group's trade receivable balances are trade receivables of HK$157,928,000 (2020: HK$41,175,000) which are past due at the end of the reporting period. Out of the past due balances, HK$734,000 (2020: HK$114,000) has been past due 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered recoverable due to the management's historical experience on the settlement pattern or record from these debtors.

Other than bills receivables amounting to HK$131,331,000 (2020: nil), the Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 32.

Included in trade and other receivables are the following amounts denominated in a currency other than functional currencies of the relevant group entities:

	2021 **HK$'000**	2020 HK$'000
Renminbi ("RMB")	**22,172**	–
United States dollars ("US$")	**3,351**	2,837
Swiss Franc ("CHF")	**186**	–

21. BANK BALANCES AND CASH

The bank balances carry interests at the prevailing market rates of about 0.001% to 0.3% (2020: 0.01% to 0.03%) per annum at 31 December 2021.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the relevant group entities:

	2021 **HK$'000**	2020 HK$'000
RMB	**12,514**	2,308
US$	**8,223**	2,042
CHF	**129**	111
Euro ("EUR")	**9**	1,033

Details of impairment assessment of bank balances are set out in note 32.

22. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	251,627	193,759
Payroll and welfare payables	38,159	30,817
Value added tax payable	14,066	993
Payables for acquisition of property, plant and equipment	7,785	13,538
Commissions and other payables to intermediary agents	6,700	6,611
Other tax payables	4,536	2,426
Accrued expense	2,286	2,573
Interest payable	591	339
Others	6,626	576
	332,376	251,632

The Group normally receives credit terms of 30 to 90 days from its suppliers. The following is an aging analysis of trade payables at the end of each reporting period based on invoice date:

	2021 HK$'000	2020 HK$'000
0 to 30 days	76,178	51,369
31 to 60 days	77,287	66,030
61 to 90 days	59,921	38,285
Over 90 days	38,241	38,075
	251,627	193,759

Included in trade and other payables are the following amounts denominated in currencies other than functional currencies of the relevant group entities:

	2021 HK$'000	2020 HK$'000
RMB	2,505	3
US$	659	2,553
CHF	12	5,035

23. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans	**127,099**	72,493
Loans related to bills discounted with recourse	**131,135**	–
	258,234	72,493
Secured	**214,317**	48,843
Unsecured	**43,917**	23,650
	258,234	72,493
The carrying amounts of the above bank borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):		
– within one year	**131,135**	–
The carrying amounts of bank borrowings that contain a repayment on demand (shown under current liabilities) but repayable:		
– within one year	**85,249**	40,910
– within a period of more than one year but not exceed two years	**15,400**	9,400
– within a period of more than two years but not exceed five years	**26,450**	22,183
	127,099	72,493
	258,234	72,493

The bank loans at 31 December 2021 carried variable interest rates range from 1.90% to 3.25% over 1-month HIBOR and 0.64% over 1-year loan prime rate published by the National Interbank Funding Center (2020: 1.90% to 3.25% over 1-month HIBOR and 0.64% over 1-year loan prime rate published by the National Interbank Funding Centre).

The loans related to bills discounted with recourse at 31 December 2021 carried fixed interest rates ranging from 2.90% to 3.00% per annum.

At 31 December 2021, the range of effective interest rates on the bank borrowings are 1.97% to 4.20% (2020: 2.01% to 4.20%) per annum.

At 31 December 2021, the Group has pledged its buildings, leasehold land, deposit and prepayment for a life insurance policy and bills receivables with an aggregated carrying value of HK$173,666,000 (2020: HK$43,695,000) to secure general banking facilities granted to the Group. Details of these pledged assets are disclosed in the respective notes.

24. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
– within one year	**5,195**	340
– within a period of more than one year but not more than two years	**1,505**	28
– within a period of more than two years but not more than five years	**163**	110
– within a period of more than five years	**2,775**	2,745
	9,638	3,223
Less: Amount due for settlement within 12 months shown under current liabilities	**(5,195)**	(340)
Amount due for settlement after 12 months shown under non-current liabilities	**4,443**	2,883

The incremental borrowing rates applied to lease liabilities range from 3.32% to 4.98% (2020: from 4.44% to 4.98%) per annum.

25. DEFERRED TAXATION

At 31 December 2021, the Group had unused tax losses of HK$84,487,000 (2020: HK$76,451,000) available to offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. Included in the tax losses was HK$55,887,000 (2020: HK$50,505,000) which will expire after five years. Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to retained profits of subsidiaries in the PRC amounting to HK$473,791,000 (2020: HK$426,003,000) at 31 December 2021, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	4,000,000	400,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 1 January 2021	500,000	50,000
Issue of bonus shares	100,000	10,000
At 31 December 2021	**600,000**	**60,000**

An ordinary resolution was passed by the shareholders at the annual general meeting of the Company held on 31 May 2021 approving an issue of bonus shares to shareholders of the Company on the basis of one bonus share for every five existing issued shares in the share capital of the Company. The issue of bonus shares took place on 21 June 2021. The shares issued rank pari passu with the then existing shares in issue in all respects.

27. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and land use rights	30,100	21,988

28. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee make monthly mandatory contributions of 5% of relevant payroll costs with monthly cap of HK$1,500 to the scheme.

The employees of the Group's subsidiaries in PRC are members of a state-managed retirement benefits plan operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$35,197,000 (2020: HK$14,205,000) represents contribution payable to these plans by the Group at rates specified in the rules of the plans.

No forfeited contributions are available to reduce the contribution payable in future years.

29. SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to a resolution passed on 25 June 2011 and expired on 24 June 2021. The purpose of the Share Option Scheme was to enable the Group to grant options to the eligible participants, including directors, officers, employees and consultants of any member of the Group, to (i) encourage them to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole, (ii) retain, incentivise, reward, remunerate, compensate and/or provide benefits to eligible participants.

The directors of the Company might, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The maximum number of shares which might be issued upon exercise of all options to be granted under the Share Option Scheme would be 50,000,000 shares (2020: 50,000,000 shares), representing 10 per cent of the Company's total issued share capital as at the time dealings in the shares of the Company first commence on the Stock Exchange.

The amount payable upon acceptance of an option was HK$1. The subscription price for shares on the exercise of the options would be no less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

During the years ended 31 December 2021 and 2020, no options were granted or outstanding under the Share Option Scheme.

30. RELATED PARTY TRANSACTIONS

(i) In addition to transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions during the year:

Name of related party	Nature of transaction	2021 HK$'000	2020 HK$'000
Ming Fung (Holdings) Limited (controlled by Mr. Yiu)	Fee received for management and administrative service	**252**	252
Fengtai (Dongguan) Technology Development Service Company Limited ("Fengtai") (controlled by Mr. Yiu and Mr. Yiu Tat Sing)	Short-term lease expenses	**334**	415
	Interest expenses on lease liabilities	**241**	–
Mr. Yiu	Interest expenses on lease liabilities	**26**	29

During the current year, the Group entered into several new lease agreements for the use of buildings with Fengtai and Mr. Yiu respectively for fixed term of 2 years (2020: nil).

At 31 December 2021, the lease liabilities due to Fengtai and Mr. Yiu were HK$5,544,000 and HK$1,056,000 (2020: nil and HK$315,000), respectively.

Mr. Yiu is the ultimate controlling shareholder and a director of the Company. Mr. Yiu Tat Sing is also a director of the Company.

(ii) Remuneration paid for key management personnel, who are the directors and the chief executive of the Company, is disclosed in note 11.

The remuneration of key management personnel is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and lease liabilities disclosed in notes 23 and 24 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank borrowings.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost	**700,332**	428,611
Financial liabilities at amortised cost	**569,722**	318,133

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, refundable rental deposit, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables, bank balances and refundable rental deposit. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables and bills receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables and bills receivables individually.

As at 31 December 2021, the Group has concentration of credit risk on trade receivables as 10.8% (2020: 23%) and 74.0% (2020: 42%) of the trade receivables were due from the Group's largest customer and the five largest customers, respectively.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and bills receivables which are assessed individually as at 31 December 2021 and 2020 within lifetime ECL (not credit-impaired).

	External credit rating	Internal credit rating	Lifetime ECL	Gross carrying amount	
				2021 HK$'000	2020 HK$'000
Trade receivables	N/A	Low risk	Not credit-impaired	**39,835**	103,271
		Watch list	Not credit-impaired	**320,337**	148,308
		Doubtful	Not credit-impaired	**343**	371
				360,515	251,950
Bills receivables	N/A	Low risk	Not credit-impaired	**74,734**	–
		Watch list	Not credit-impaired	**57,235**	–
				131,969	–

During the years ended 31 December 2021 and 2020, trade receivables and bills receivables were assessed individually based on internal credit ratings. During the year ended 31 December 2021, the Group recognised impairment allowance for trade receivables and bills receivables under lifetime ECL (not credit-impaired) of HK$1,660,000 (2020: nil) and HK$364,000 (2020: nil) respectively.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and bills receivables under the simplified approach.

	Lifetime ECL (not-credit-impaired) HK$'000
As at 1 January 2010 and 31 December 2021	–
Impairment loss recognised	(2,024)
As at 31 December 2021	**(2,024)**

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Other receivables (including refundable rental deposits)

Other receivables including refundable rental deposit were assessed individually. The management believes that there are no significant increase in credit risk of these amounts since initial recognition. The management of the Group considers the internal credit rating as "low risk" and the impairment allowance during the years ended 31 December 2021 and 2020 is considered insignificant.

Bank balances

For bank deposits, no impairment allowance was recognised since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks having good reputation. Majority of bank balances are placed with banks with external credit rating of A1. Therefore, loss allowance is considered insignificant.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and bank balances, which expose the Group to foreign currency risk. In addition, the Group has intra-group balances with several subsidiaries denominated in foreign currencies which also expose the Group to foreign currency risk.

The carrying amounts of the foreign currency denominated monetary assets and liabilities (including trade and other receivables, bank balances and cash and trade and other payables) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
US$	**11,574**	4,879	**659**	2,553
RMB	**34,686**	2,308	**2,505**	3
EUR	**9**	1,033	**–**	–
CHF	**315**	111	**12**	5,035
Intra-group balances				
RMB	**205**	200	**219,916**	232,040

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group mainly exposes to RMB, EUR, CHF and US$, which are arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities in Hong Kong and PRC. The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currencies of the group entities against the relevant foreign currencies. Under the linked exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial and therefore no sensitivity analysis has been presented. 5% (2020: 5%) is the sensitivity rate used when the management assesses the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including the intra-group balances and adjusts their translation at the end of the reporting period. A positive (negative) number below indicates an increase (decrease) in profit after taxation where the functional currencies of each group entity strengthens 5% (2020: 5%) against the relevant foreign currencies. For a 5% (2020: 5%) weakening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit after taxation.

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) ***Currency risk*** *(Continued)*

Sensitivity analysis (Continued)

	2021 HK$'000	2020 HK$'000
EUR	–	(43)
CHF	(13)	206
RMB	7,829	9,583

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) ***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to bank borrowings at fixed interest rates and lease liabilities in notes 23 and 24 respectively. The Group is also exposed to cash flow interest rate risk in relation to interest bearing bank balances and bank borrowings at variable interest rates. The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and the prime rate published by the National Interbank Funding Center (2020: HIBOR and the prime rate published by the National Interbank Funding Center). The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank borrowings at variable interest rates at the end of each reporting period and assumed that the said bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. 50 basis points (2020: 50 basis points) increase represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in HIBOR and the prime rate published by the National Interbank Funding Center. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

No sensitivity analysis is presented for bank balances as the directors of the Company considered the Group's exposure to cash flow interest rate risk is not material.

If interest rates on bank borrowings at variable interest rates had been 50 basis points (2020: 50 basis points) higher and all other variables were held constant, the potential effect on profit after taxation is as follows:

	2021 HK$'000	2020 HK$'000
Decrease in profit after taxation	531	303

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or within one year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021							
Trade and other payables	**–**	**311,488**	**–**	**–**	**–**	**311,488**	**311,488**
Bank borrowings	**3.12**	**258,745**	**–**	**–**	**–**	**258,745**	**258,234**
Lease liabilities	**4.62**	**5,514**	**1,657**	**586**	**4,962**	**12,719**	**9,638**
		575,747	**1,657**	**586**	**4,962**	**582,952**	**579,360**
At 31 December 2020							
Trade and other payables	–	245,640	–	–	–	245,640	245,640
Bank borrowings	2.96	72,493	–	–	–	72,493	72,493
Lease liabilities	4.84	486	170	527	5,010	6,193	3,223
		318,619	170	527	5,010	324,326	321,356

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$127,099,000 (2020: HK$72,493,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid within five years (2020: five years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and the aggregate principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 3 months	Over 3 months but less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021	**42,374**	**44,731**	**16,150**	**26,998**	**130,253**	**127,099**
At 31 December 2020	31,257	10,877	9,988	22,767	74,889	72,493

32. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

Interest rate benchmark reform

As listed in note 23, several of the Group's HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant Interbank Offered Rate regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. For the bank loans linked to HIBOR, the Group does not intend to transition the agreements to HONIA.

Risks arising from the interest rate benchmark reform

The followings are the key risks for the Group arising from the transition:

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

33. TRANSFERS OF FINANCIAL ASSETS

The followings were the Group's financial assets as at 31 December 2021 that were transferred to banks by discounting those bills receivables under trade and other receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as loans related to bills discounted with recourse. The financial asset are carried at amortised cost in the Group's consolidated statement of financial position. The bills receivables discounted with banks with full recourse at the year end were as follows:

	HK$'000
As at 31 December 2021	
Carrying amount of transferred assets	**131,331**
Carrying amount of associated liabilities	**(131,135)**
Net position	**196**

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current asset		
Investments in subsidiaries	**390,774**	390,774
Current assets		
Prepayments	**173**	166
Amounts due from subsidiaries	**4,140**	8,992
Bank balances and cash	**5,228**	14,734
	9,541	23,892
Current liabilities		
Other payables	**1,180**	1,492
Amount due to a subsidiary	**1,103**	1,327
	2,283	2,819
Net current assets	**7,258**	21,073
Net assets	**398,032**	411,847
Capital and reserves		
Share capital	**60,000**	50,000
Reserves	**338,032**	361,847
Total equity	**398,032**	411,847

Movement of reserves

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	213,244	123,827	337,071
Profit and total comprehensive income for the year	–	39,776	39,776
Dividends paid (note 14)	–	(15,000)	(15,000)
At 31 December 2020	**213,244**	**148,603**	**361,847**
Profit and total comprehensive income for the year	–	**4,185**	**4,185**
Dividends paid (note 14)	–	**(18,000)**	**(18,000)**
Issue of bonus shares (note 26)	**(10,000)**	–	**(10,000)**
At 31 December 2021	**203,244**	**134,788**	**338,032**

35. PRINCIPAL SUBSIDIARIES

Details of principal subsidiaries indirectly held by the Company at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Registered capital/ nominal value of issued and fully paid share capital	Attributable equity interest held by the Group		Principal activities
			2021	2020	
Winox Enterprise Company Limited	Hong Kong	Ordinary capital HK$60,000,000	100%	100%	Investment holding and trading of stainless steel products
Winox Management Limited	Hong Kong	Ordinary capital HK$1	100%	100%	Provision of management and administration service
Max Surplus Corporation Limited	Hong Kong	Ordinary capital HK$1	100%	100%	Investment holding and trading of stainless steel products
盈利時錶業(東莞)有限公司*	PRC	Registered capital HK$127,900,000 Paid-up capital HK$127,900,000	100%	100%	Manufacture and trading of stainless steel products
惠州豐采貴金屬製造有限公司*	PRC	Registered capital HK$190,000,000 Paid-up capital HK$172,000,000	100%	100%	Manufacture and trading of stainless steel products
博羅明豐廚具製造有限公司*	PRC	Registered capital RMB80,000,000 Paid-up capital RMB80,000,000	100%	100%	Property holding and provision of management and administration service
盛豐精密製造(惠州)有限公司*	PRC	Registered capital HK$32,500,000 Paid-up capital HK$32,500,000	100%	100%	Manufacture and trading of stainless steel products
豐達精密科技(東莞)有限公司*	PRC	Registered capital HK$30,000,000 Paid-up capital HK$8,000,000	100%	100%	Provision of management and administration service
盈泰精密製造科技(東莞)有限公司*	PRC	Registered capital HK$65,000,000 Paid-up capital HK$50,000,000	100%	100%	Manufacture and trading of stainless steel products
盈達豐精密製造科技(東莞)有限公司*	PRC	Registered capital HK$10,000,000 Paid-up capital HK$3,000,000	100%	100%	Manufacture and trading of stainless steel products

* The company was established as a wholly foreign owned enterprise.

In the opinion of the directors of the Company, the above table lists the subsidiaries of the Group which principally affected the results or assets or liabilities of the Group and to give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at 31 December 2021 and 2020 or at any time during both years.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Bank borrowings HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 January 2020	4,715	70,494	159	–	75,368
Financing cash flows	(26,108)	287	(3,940)	(15,000)	(44,761)
Interest expenses (note 9)	185	–	4,099	–	4,284
Dividend declared (note 14)	–	–	–	15,000	15,000
Non-cash transactions					
Recognition of a new lease	24,513	–	–	–	24,513
Lease modification	(274)	–	–	–	(274)
Currency realignment	192	1,712	21	–	1,925
At 31 December 2020	**3,223**	**72,493**	**339**	**–**	**76,055**
Financing cash flows	**(4,318)**	**182,646**	**(4,080)**	**(18,000)**	**156,248**
Interest expenses (note 9)	**415**	**–**	**4,320**	**–**	**4,735**
Dividend declared (note 14)	**–**	**–**	**–**	**18,000**	**18,000**
Non-cash transactions					
Recognition of new leases	**10,165**	**–**	**–**	**–**	**10,165**
Currency realignment	**153**	**3,095**	**12**	**–**	**3,260**
At 31 December 2021	**9,638**	**258,234**	**591**	**–**	**268,463**

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of office equipment and leased buildings for 2-5 years (2020: leased property for 50 years). On the lease commencement, the Group recognised right-of-use assets of HK$10,165,000 (2020: HK$24,513,000) and lease liabilities of HK$10,165,000 (2020: HK$24,513,000).

During the year ended 31 December 2020, the Group has lease modification in respect of shortening the lease term for a leased property. At the effective date of modification, the Group remeasured the lease liability by reducing the carrying amount by HK$274,000 and adjusted the right-of-use asset by HK$247,000, with the difference is recognised as gain on lease modification of HK$27,000.

Five-Year Financial Summary

RESULTS

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Revenue	891,446	1,128,653	1,210,334	1,187,440	**1,385,113**
Profit before taxation	140,062	178,140	168,574	109,631	**105,802**
Taxation	(23,627)	(24,014)	(30,178)	(13,546)	**(11,383)**
Profit for the year	116,435	154,126	138,396	96,085	**94,419**

ASSETS AND LIABILITIES

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Total assets	890,449	940,568	1,110,774	1,233,858	**1,610,090**
Total liabilities	(239,552)	(236,173)	(350,340)	(334,008)	**(608,991)**
Total equity	650,897	704,395	760,434	899,850	**1,001,099**