

TR EXAMPLE GROUP

Generic Company Number XXX XXX XXX

Illustrative Report of the Directors and Consolidated Financial

Statements for the year ended

31 December 2023

TR EXAMPLE GROUP

Generic Company Number XXX XXX XXX

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Statements for the year ended

31 December 2024

TR EXAMPLE GROUP
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TR EXAMPLE GROUP
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TR EXAMPLE GROUP
Report of the Directors

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2023.

Principal activities and business review

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture and sale of electronic and industrial products, infrastructure development, property investment and the provision of management services. On 1 September 2023, the board of directors announced its decision to sell the Group's infrastructure development business, DDD Company Limited. Other than this development, there were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2023 and the Group's financial position at that date are set out in the consolidated financial statements on pages 19 to 166.

An interim dividend of approximately HKX cent per ordinary share was paid on 8 September 2023.

The directors recommend the payment of a final dividend of HKX cent per ordinary share in respect of the year to shareholders on the register of members on 6 May 2023.

Share capital, share options, warrants and convertible bonds

Details of movements in the Company's convertible bonds, share capital, share options and warrants during the year are set out in notes 30, 33 and 34 to the consolidated financial statements.

Details of the convertible bond agreements entered into during the year or subsisting at the end of the year are set out below:

On 1 January 2023, the Company issued XX,XXX,XXX X% convertible bonds with a nominal value of HK\$XX,XXX,XXX for financing the Group's operations. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares on 1 January 2026 on the basis of one ordinary share for every three HK\$X bonds held. The bonds are redeemable at the option of the bondholders at a price of HK\$X.XX per bond on 1 January 2026. Any convertible bonds not converted will be redeemed on 31 December 2028 at a price of HK\$X.XX per HK\$X bond. The bonds carry interest at a rate of X% per annum, which is payable half-yearly in arrears on 30 June and 31 December.

Charitable contributions

During the year, the Group made charitable contributions totalling HK\$X,XXX,XXX.

TR EXAMPLE GROUP
REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2024.

Principal activities and business review

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Results and dividends

The Group's profit for the year ended 31 December 2024 and the Group's financial position at that date are set out in the consolidated financial statements on pages 5 to 163.

An interim dividend of approximately HKX cent per ordinary share was paid on 8 September 2024.

The directors recommend the payment of a final dividend of HKX cent per ordinary share in respect of the year to shareholders on the register of members on 6 May 2024.

Share capital, share options, warrants and convertible bonds

Details of movements in the Company's convertible bonds, share capital, share options and warrants during the year are set out in notes 30, 33 and 34 to the consolidated financial statements.

Details of the convertible bond agreements entered into during the year or subsisting at the end of the year are set out below:

On 1 January 2024, the Company issued XX,XXX,XXX X% convertible bonds with a nominal value of HK\$XX,XXX,XXX for financing the Group's operations. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares on 1 January 2026 on the basis of one ordinary share for every three HK\$X bonds held. The bonds are redeemable at the option of the bondholders at a price of HK\$X.XX per bond on 1 January 2026. Any convertible bonds not converted will be redeemed on 31 December 2028 at a price of HK\$X.XX per HK\$X bond. The bonds carry interest at a rate of X% per annum, which is payable half-yearly in arrears on 30 June and 31 December.

Charitable contributions

During the year, the Group made charitable contributions totalling HK\$X,XXX,XXX.

TR EXAMPLE GROUP
Report of the Directors

Directors

The directors of the Company during the year were:

Mr. A

Mr. B

Mr. C

Mr. D

Mr. E (appointed on 1 January 2023)

Subsequent to the end of the reporting period, on 5 January 2024, Mr. B resigned as a director of the Company and Mr. J was appointed as a director of the Company.

In accordance with articles 86(2) and 88(1) of the Company's articles of association, Mr. A and Mr. E will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Permitted indemnity provision

During the year ended 31 December 2023, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for an indemnity against a liability incurred by Mr. B, director of the Company, to a third party.

Directors' interests in transactions, arrangements or contracts

Mr. A, being a beneficial shareholder of Electronics Limited, was interested in a contract for the supply of electronic diodes to the Group. Further details of the transactions undertaken in connection therewith are included in notes 43(a)(v) and 43(c) to the consolidated financial statements.

Save as disclosed above, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

Management contracts

Pursuant to an agreement dated 1 October 2017 between the Company and its ultimate holding company, Prosperous Future Limited ("Prosperous"), Prosperous provides management services to the Company. The agreement may be terminated by either party, subject to not less than three months' written notice. During the year, the Company paid a management service fee of HK\$XXX,XXX under this agreement.

TR EXAMPLE GROUP
Report of the Directors

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 34 to the consolidated financial statements.

Events after the reporting period

Details of the significant events of the Group after the reporting period are set out in note 47 to the consolidated financial statements.

Auditors

[Auditors] retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

TR EXAMPLE GROUP
REPORT OF THE DIRECTORS (continued)

Directors

The directors of the Company during the year were:

Mr. A

Mr. B

Mr. C

Mr. D

Mr. E (appointed on 1 January 2023)

Subsequent to the end of the reporting period, on 5 January 2024, Mr. B resigned as a director of the Company and Mr. J was appointed as a director of the Company.

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Mr. A, being a beneficial shareholder of Electronics Limited, was interested in a contract for the supply of electronic diodes to the Group. Further details of the transactions undertaken in connection therewith are included in notes 43(a)(v) and 43(c) to the consolidated financial statements.

Save as disclosed above, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

Management contracts

Pursuant to an agreement dated 1 October 2017 between the Company and its ultimate holding company, Prosperous Future Limited ("Prosperous"), Prosperous provides management services to the Company. The agreement may be terminated by either party, subject to not less than three months' written notice. During the year, the Company paid a management service fee of HK\$XXX,XXX under this agreement.

TR EXAMPLE GROUP
REPORT OF THE DIRECTORS (continued)

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 34 to the consolidated financial statements.

Events after the reporting period

Details of the significant events of the Group after the reporting period are set out in note 47 to the consolidated financial statements.

Auditors

[Auditors] retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

.....
Mr. A
Title 1
12 March 2024

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TR EXAMPLE GROUP
Independent auditor's report
To the members of TR EXAMPLE GROUP
(Incorporated in Hong Kong with limited liability)

[Independent auditor's report should be provided by independent auditor appointed by the Company]

ON BEHALF OF THE BOARD

.....
Mr. A
Title 1
12 March 2024

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TR EXAMPLE GROUP
Independent auditor's report
To the members of TR EXAMPLE GROUP
(Incorporated in Hong Kong with limited liability)

[Independent auditor's report should be provided by independent auditor appointed by the Company]

TR EXAMPLE GROUP
Consolidated statement of profit or loss
31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Continuing operations			
Revenue	4	692,986	601,105
Cost of sales		(520,355)	(443,727)
Gross profit		172,631	157,378
Other income and gains	4	6,892	7,079
Selling and distribution expenses		(65,357)	(56,220)
Administrative expenses		(64,688)	(59,506)
Impairment loss on trade receivable and contract assets		(25)	(21)
Other expenses		(15,993)	(5,233)
Finance costs	6	(19,353)	(20,212)
Share of profits and losses of:			
Joint ventures		988	807
Associates		7,129	8,682
Profit before tax from continuing operations	5	22,224	32,754
Income tax credit/(expense)	8	833	(5,475)
Profit for the year from continuing operations		23,057	27,279
Discontinued operations			
Profit for the year from a discontinued operation	9	9,178	7,970
Profit for the year		32,235	35,249
Attributable to:			
Owners of the parent		28,123	32,165
Non-controlling interests		4,112	3,084
		32,235	35,249

TR EXAMPLE GROUP
Consolidated statement of comprehensive income
31 December 2023

Attributable to:

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CONTINUING OPERATIONS			
REVENUE	4	692,986	601,105
Cost of sales		(520,355)	(443,727)
Gross profit		172,631	157,378
Other income and gains	4	6,892	7,079
Selling and distribution expenses		(65,357)	(56,220)
Administrative expenses		(64,688)	(59,506)
Impairment loss on trade receivable and contract assets		(25)	(21)
Other expenses		(15,993)	(5,233)
Finance costs	6	(19,353)	(20,212)
Share of profits and losses of:			
Joint ventures		988	807
Associates		7,129	8,682
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	22,224	32,754
Income tax credit/(expense)	8	833	(5,475)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		23,057	27,279
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	9	9,178	7,970
PROFIT FOR THE YEAR		32,235	35,249
Attributable to:			
Owners of the parent		28,123	32,165
Non-controlling interests		4,112	3,084
		32,235	35,249

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2024

Attributable to:
Owners of the parent
Non-controlling interests

28,591	33,641
4,112	5,890
<u>32,703</u>	<u>39,531</u>

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TR EXAMPLE GROUP
Consolidated statement of financial position
31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	11	180,943	190,904
Investment properties	12	40,000	40,000
Right-of-use assets	13, (a)	38,588	32,033
Goodwill	14	245	1,000
Other intangible assets	15	9,614	9,134
Investments in joint ventures	16	6,420	5,432
Investments in associates	17	28,260	19,751
Equity investments designated at fair value through other comprehensive income	18	15,568	5,575
Pledged deposits	25	25,500	25,500
Total non-current assets		<u>345,138</u>	<u>329,329</u>
Current assets			
Inventories	19	116,531	146,347
Trade receivables	20	100,388	104,091
Contract assets	22	29,261	27,806
Prepayments, other receivables and other assets	21	36,021	40,342
Financial assets at fair value through profit or loss	24	20,100	5,000
Derivative financial instruments	28	1,444	-
Pledged deposits	25	10,500	-
Cash and cash equivalents	25	<u>73,053</u>	<u>30,032</u>
		387,298	353,618
Assets of a disposal group classified as held for sale	9	<u>59,387</u>	-
Total current assets		<u>446,685</u>	<u>353,618</u>

	Notes	2024	2023
		HK\$'000	HK\$'000
PROFIT FOR THE YEAR		<u>32,235</u>	<u>35,249</u>
OTHER COMPREHENSIVE INCOME			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	28	878	-
Reclassification adjustments for gains included in the consolidated statement of profit or loss		(151)	-
Income tax effect		(239)	-
		<u>488</u>	-
Exchange differences:			
Exchange differences on translation of foreign operations		(570)	3,432
		<u>(570)</u>	<u>3,432</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>(82)</u>	<u>3,432</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income: Changes in fair value		550	850
		<u>550</u>	<u>850</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>550</u>	<u>850</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>468</u>	<u>4,282</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>32,703</u>	<u>39,531</u>
Attributable to:			
Owners of the parent		28,591	33,641
Non-controlling interests		4,112	5,890
		<u>32,703</u>	<u>39,531</u>

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TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	180,943	190,904
Investment properties	12	40,000	40,000
Right-of-use assets	13, (a)	38,588	32,033
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Derivative financial instruments	28	1,444	-
Pledged deposits	25	10,500	-
Cash and cash equivalents	25	73,053	30,032
		387,298	353,618
Assets of a disposal group classified as held for sale	9	59,387	-
Total current assets		446,685	353,618

Current liabilities			
Trade and bills payables	26	73,146	77,571
Other payables and accruals	27	46,768	21,035
Derivative financial instruments	28	947	-
Interest-bearing bank and other borrowings	29	134,534	180,384
Loans from associates	17	500	500
Tax payable		6,012	11,080
Provision	31	2,503	2,408
		264,410	292,978
Liabilities directly associated with the assets classified as held for sale	9	15,227	-
Total current liabilities		279,637	292,978
Net current assets		167,048	60,640
Total assets less current liabilities		512,186	389,969

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TR EXAMPLE GROUP
Consolidated statement of financial position
31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Convertible bonds	30	26,429	-
Interest-bearing bank and other borrowings	29	77,492	85,579
Deferred tax liabilities	32	1,688	1,490
Provision	31	5,542	4,840
Total non-current liabilities		111,151	91,909
Net assets		401,035	298,060
Equity			
Share capital	33	280,187	199,437
Equity component of convertible bonds	30	3,852	-
Other reserves	35	92,798	75,010
Equity attributable to owners of the parent		376,837	274,447
Non-controlling interests		24,198	23,613
Total equity		401,035	298,060

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CURRENT LIABILITIES			
Trade and bills payables	26	73,146	77,571
Other payables and accruals	27	46,768	21,035
Derivative financial instruments	28	947	-
Interest-bearing bank and other borrowings	29	134,534	180,384
Loans from associates	17	500	500
Tax payable		6,012	11,080
Provision	31	2,503	2,408
		264,410	292,978
Liabilities directly associated with the assets classified as held for sale	9	15,227	-
Total current liabilities		279,637	292,978
NET CURRENT ASSETS		167,048	60,640
TOTAL ASSETS LESS CURRENT LIABILITIES		512,186	389,969

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TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
NON-CURRENT LIABILITIES			
Convertible bonds	30	26,429	-
Interest-bearing bank and other borrowings	29	77,492	85,579
Deferred tax liabilities	32	1,688	1,490
Provision	31	5,542	4,840
Total non-current liabilities		111,151	91,909
Net assets		401,035	298,060
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	280,187	199,437
Equity component of convertible bonds	30	3,852	-
Other reserves	35	92,798	75,010
Equity attributable to owners of the parent		376,837	274,447
Non-controlling interests		24,198	23,613
Total equity		401,035	298,060

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TR EXAMPLE GROUP
Consolidated statement of financial position
31 December 2023

Mr. A
Title 1
12 March 2024

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TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
31 December 2024

Mr. A
Title 1
12 March 2024

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TR EXAMPLE GROUP
Consolidated statement of changes in equity
31 December 2023

Notes	Attributable to owners of the parent							Attributable to owners of the parent		Total Equity
	Share capital HK\$'000 (note 33)	Share option reserve HK\$'000 (note 34)	Asset revaluation reserve HK\$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Reserve funds HK\$'000 (note 35)	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total	Non-controlling interests HK\$'000	
At 1 January 2022	199,437	1,820	3,000	461	195	(3,185)	38,663	240,391	19,067	259,458
Profit for the year	-	-	-	-	-	-	32,165	32,165	3,084	35,249
Other comprehensive income for the year:										
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	32,165	32,165	3,084	35,249

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2024

Notes	Attributable to owners of the parent							Attributable to owners of the parent		Total Equity
	Share capital HK\$'000 (note 33)	Share option reserve HK\$'000 (note 34)	Asset revaluation reserve HK\$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Reserve funds HK\$'000 (note 35)	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total	Non-controlling interests HK\$'000	
At 1 January 2023	199,437	1,820	3,000	461	195	(3,185)	38,663	240,391	19,067	259,458
Profit for the year	-	-	-	-	-	-	32,165	32,165	3,084	35,249
Other comprehensive income for the year:										
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	850	-	-	-	850	-	850
Exchange differences related to foreign operations	-	-	-	-	626	-	-	626	2,806	3,432
Total comprehensive income for the year	-	-	-	850	626	-	32,165	33,641	2,806	36,447

The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value before 1 January 2022.

TR EXAMPLE GROUP
Consolidated statement of changes in equity
31 December 2023

TR EXAMPLE GROUP
Consolidated statement of changes in equity
31 December 2023

	-	-	(73)	-	-	-	-	73	-	-
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	(6,224)	(6,224)	-
Interim 20XX dividend	10	-	-	-	-	-	-	(390)	-	(6,224)
Transfer from retained profits	-	-	-	-	-	390	-	-	-	-
At 31 December 2023	280,187	3,852	1,870	3,000	351	1,741	720	(3,129)	88,245	376,837
									24,198	401,035

The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value before 1 January 2023.

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)
Year ended 31 December 2024

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)
Year ended 31 December 2024

Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	(73)	-	-	-	73	-	-				
Interim 20XX dividend	10	-	-	-	-	-	(6,224)	(6,224)	(6,224)				
Transfer from retained profits	-	-	-	-	-	390	(390)	-	-				
At 31 December 2024		280,187	3,852	1,870	3,000	351	1,741	720	(3,129)	88,245	376,837	24,198	401,035

TR EXAMPLE GROUP
Consolidated statement of changes in equity
31 December 2023

* These reserve accounts comprise the consolidated other reserves of HK\$92,798,000 (2022: HK\$75,010,000) in the consolidated statement of financial position.

TR EXAMPLE GROUP
Consolidated statement of cash flows
31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Profit before tax:			
From continuing operations	9	22,224	32,754
From a discontinued operation		10,117	8,138
Adjustments for:			
Finance costs	6, 9	19,782	20,336
Share of profits and losses of joint ventures and associates		(8,117)	(9,489)
Interest income		(5,263)	(3,261)
Dividend income from equity investments at fair value through other comprehensive income		(104)	(70)
Gain on disposal of items of property, plant and equipment		-	(801)
Gain on disposal of a subsidiary		-	(950)
Fair value gains, net:			
Cash flow hedges (transfer from equity)		(151)	-
Derivative instruments – transactions not qualifying as hedges		332	-
Depreciation	11	41,718	37,505
Changes in fair value of investment properties		3,500	(1,700)
Depreciation of right-of-use assets	13	3,094	2,713
Amortisation of patents and licences	15	759	852
Amortisation of deferred development costs	15	788	743
Impairment of goodwill		-	400
Equity-settled share option expense	34	1,090	415

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)
Year ended 31 December 2024

* These reserve accounts comprise the consolidated other reserves of HK\$92,798,000 (2023: HK\$75,010,000) in the consolidated statement of financial position.

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations	9	22,224	32,754
From a discontinued operation		10,117	8,138
Adjustments for:			
Finance costs	6, 9	19,782	20,336
Share of profits and losses of joint ventures and associates		(8,117)	(9,489)
Interest income		(5,263)	(3,261)
Dividend income from equity investments at fair value through other comprehensive income		(104)	(70)
Gain on disposal of items of property, plant and equipment		-	(801)
Gain on disposal of a subsidiary		-	(950)
Fair value gains, net:			
Cash flow hedges (transfer from equity)		(151)	-
Derivative instruments – transactions not qualifying as hedges		332	-
Depreciation	11	41,718	37,505
Changes in fair value of investment properties		3,500	(1,700)
Depreciation of right-of-use assets	13	3,094	2,713
Amortisation of patents and licences	15	759	852
Amortisation of deferred development costs	15	788	743
Impairment of goodwill		-	400
Equity-settled share option expense	34	1,090	415

TR EXAMPLE GROUP
Consolidated statement of cash flows
31 December 2023

	Notes	2023	2022
		HK\$'000	HK\$'000
Decrease/(increase) in inventories		19,274	(21,889)
Decrease in trade receivables		4,921	18,063
Increase in contract assets		(1,455)	(1,039)
(Increase)/decrease in prepayments and other assets		(5,337)	194
Increase in deposits and other receivables		(2,094)	(22,535)
Increase in financial assets at fair value through profit or loss		(15,100)	-
Increase/(decrease) in trade and bills payables		11,861	(17,715)
Increase in other payables and accruals		33,679	1,544
Increase in derivative financial assets		(1,042)	-
Increase in derivative financial liabilities		715	-
Decrease in provision		(235)	(337)
Cash generated from operations		134,956	43,871
Interest paid		(20,846)	(22,311)
Hong Kong profits tax paid		(189)	(15)
Overseas taxes paid		(3,469)	(5,109)
Net cash flows from operating activities		110,452	16,436

Cash flow from investing activities

Interest received		5,263	3,261
Dividends received from listed investments		104	70
Purchases of items of property, plant and equipment		(71,217)	(19,643)
Proceeds from disposal of items of property, plant and equipment		2,120	2,557
Purchase of an investment property		(3,500)	-
Additions to other intangible assets	15	(2,961)	-
Acquisition of a subsidiary	37	(2,325)	-
Disposal of a subsidiary	38	-	3,430
Advances of loans to associates		(1,380)	-
Repayment of loans from associates		-	(2,234)
Purchases of equity investments designated at fair value through other comprehensive income		(10,063)	(7,825)
Proceeds from disposal of equity investment designated at fair value through other comprehensive income		620	-

TR EXAMPLE GROUP
Consolidated statement of cash flows
31 December 2023

	Notes	2023	2022
		HK\$'000	HK\$'000
Advances of loans to directors		(1,185)	-
Decrease in pledged time deposits		-	4,231
Net cash flows used in investing activities		(84,524)	(16,153)

Cash flows from financing activities

Proceeds from issue of shares	33	84,467	-
Share issue expenses	33	(3,717)	-
Proceeds from issue of convertible bonds	30	30,000	-
New bank loans		56,096	30,000
Repayment of bank loans		(60,766)	(18,919)
Repayment of other loans		(31,318)	(14,000)
Acquisition of non-controlling interests		(1,900)	-
Principal portion of lease liabilities		(7,096)	(2,713)
Dividends paid		(10,374)	-
Dividends paid to non-controlling shareholders		(1,627)	-
Net cash flows from/(used in) financing activities		53,765	(5,632)

Net increase/(decrease) in cash and cash equivalents

79,693(5,349)

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2024

	Notes	2024	2023
		HK\$'000	HK\$'000
Decrease/(increase) in inventories		19,274	(21,889)
Decrease in trade receivables		4,921	18,063
Increase in contract assets		(1,455)	(1,039)
(Increase)/decrease in prepayments and other assets		(5,337)	194
Increase in deposits and other receivables		(2,094)	(22,535)
Increase in financial assets at fair value through profit or loss		(15,100)	-
Increase/(decrease) in trade and bills payables		11,861	(17,715)
Increase in other payables and accruals		33,679	1,544
Increase in derivative financial assets		(1,042)	-
Increase in derivative financial liabilities		715	-
Decrease in provision		(235)	(337)
Cash generated from operations		134,956	43,871
Interest paid		(20,846)	(22,311)
Hong Kong profits tax paid		(189)	(15)
Overseas taxes paid		(3,469)	(5,109)
Net cash flows from operating activities		110,452	16,436

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		5,263	3,261
Dividends received from listed investments		104	70
Purchases of items of property, plant and equipment		(71,217)	(19,643)
Proceeds from disposal of items of property, plant and equipment		2,120	2,557
Purchase of an investment property		(3,500)	-
Additions to other intangible assets	15	(2,961)	-
Acquisition of a subsidiary	37	(2,325)	-
Disposal of a subsidiary	38	-	3,430
Advances of loans to associates		(1,380)	-
Repayment of loans from associates		-	(2,234)
Purchases of equity investments designated at fair value through other comprehensive income		(10,063)	(7,825)
Proceeds from disposal of equity investment designated at fair value through other comprehensive income		620	-

TR EXAMPLE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2024

	Notes	2024	2023
		HK\$'000	HK\$'000
Advances of loans to directors		(1,185)	-
Decrease in pledged time deposits		-	4,231
Net cash flows used in investing activities		(84,524)	(16,153)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares	33	84,467	-
Share issue expenses	33	(3,717)	-
Proceeds from issue of convertible bonds	30	30,000	-
New bank loans		56,096	30,000
Repayment of bank loans		(60,766)	(18,919)
Repayment of other loans		(31,318)	(14,000)
Acquisition of non-controlling interests		(1,900)	-
Principal portion of lease liabilities		(7,096)	(2,713)
Dividends paid		(10,374)	-
Dividends paid to non-controlling shareholders		(1,627)	-
Net cash flows from/(used in) financing activities		53,765	(5,632)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

79,693(5,349)

Cash and cash equivalents at beginning of year		1,428	9,136
Effect of foreign exchange rate changes, net		(1,470)	3,641
Cash and cash equivalents at end of year		85,651	7,428
Analysis of balances of cash and cash equivalents			
Cash and bank balances	25	58,053	30,032
Non-pledged time deposits with original maturity of less than three months when acquired	25	15,000	-
16			

TR EXAMPLE GROUP			
Consolidated statement of cash flows			
31 December 2023			
	Notes	2023	2022
		HK\$'000	HK\$'000
Cash and cash equivalents as stated in the statement of financial position		73,053	30,032
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	25	10,500	-
Bank overdrafts	29	(2,102)	(22,604)
Cash and short term deposits attributable to a discontinued operation	9	4,200	-
Cash and cash equivalents as stated in the statement of cash flows		85,651	7,428
17			

TR EXAMPLE GROUP			
Consolidated statement of cash flows			
31 December 2023			

Cash and cash equivalents at beginning of year		1,428	9,136
Effect of foreign exchange rate changes, net		(1,470)	3,641
CASH AND CASH EQUIVALENTS AT END OF YEAR		85,651	7,428
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	58,053	30,032
Non-pledged time deposits with original maturity of less than three months when acquired	25	15,000	-
16			

TR EXAMPLE GROUP			
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)			
Year ended 31 December 2024			
	Notes	2024	2023
		HK\$'000	HK\$'000
Cash and cash equivalents as stated in the statement of financial position		73,053	30,032
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	25	10,500	-
Bank overdrafts	29	(2,102)	(22,604)
Cash and short term deposits attributable to a discontinued operation	9	4,200	-
Cash and cash equivalents as stated in the statement of cash flows		85,651	7,428
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TR EXAMPLE GROUP			
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)			
Year ended 31 December 2024			

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

TR EXAMPLE GROUP is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 26 Golden Bauhinia Avenue, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of electronic products
- manufacture and sale of industrial products
- infrastructure development
- property investment
- provision of management services

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Prosperous Future Limited, which is incorporated in Bermuda.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
AAA Limited	Hong Kong	HK\$XX,XXX,XXX	XXX	-	Investment holding
BBB (Far East) Limited*	Hong Kong	HK\$X,XXX,XXX	XXX	-	Manufacture and sale of electronic and industrial products

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

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- manufacture and sale of industrial products
- infrastructure development
- property investment
- provision of management services

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Prosperous Future Limited, which is incorporated in Bermuda.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
AAA Limited	Hong Kong	HK\$XX,XXX,XXX	XXX	-	Investment holding
BBB (Far East) Limited*	Hong Kong	HK\$X,XXX,XXX	XXX	-	Manufacture and sale of electronic and industrial products
CCC Enterprise Limited	Australia	A\$X,XXX,XXX	-	XXX**	Manufacture of electronic and industrial products

DDD (Tai East) Limited	Hong Kong	HK\$,XXX,XXX	-	XXX	Manufacture of electronic and industrial products
CCC Enterprise Limited	Australia	A\$,XXX,XXX	-	XXX**	

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DDD (Tai East) Limited	Hong Kong	HK\$,XXX,XXX	-	XXX	Manufacture of electronic and industrial products
CCC Enterprise Limited	Australia	A\$,XXX,XXX	-	XXX**	

TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS					
31 December 2023					
1. CORPORATE AND GROUP INFORMATION (continued)					
Information about subsidiaries (continued)					
DDD Company Limited	British Virgin Islands/ Mainland China	US\$XXX,XXX	-	XXX	Property infrastructure development
EEE Limited	British Virgin Islands/ Hong Kong	US\$XX,XXX	XXX	-	Investment holding and provision of management services
FFF Limited***	PRC/ Mainland China	HK\$,XXX,XXX	-	XXX	Manufacture of industrial products
GGG Limited****	Hong Kong	HK\$XXX,XXX	-	XXX	Manufacture of industrial products
HHH Limited	Mainland China	HK\$,XXX,XXX	-	XXX	Property infrastructure development
* Not audited by [auditors], Hong Kong or another member firm of the [auditors] global network					
** CCC Enterprise Limited is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.					
*** FFF Limited is registered as a wholly-foreign-owned enterprise under PRC law.					
**** GGG Limited, a Hong Kong listed company, is accounted for as a subsidiary of the Group even though the Group has only a XX% equity interest in this company based on the factors explained in note 3 to the consolidated financial statements.					
During the year, the Group acquired FFF Limited from a fellow subsidiary of the Company. Further details of this acquisition are included in notes 37 and 43(b)(ii) to the consolidated financial statements.					

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)					
31 December 2024					
1. CORPORATE AND GROUP INFORMATION (continued)					
Information about subsidiaries (continued)					
DDD Company Limited	British Virgin Islands/ Chinese Mainland	US\$XXX,XXX	-	XXX	Property infrastructure development
EEE Limited	British Virgin Islands/ Hong Kong	US\$XX,XXX	XXX	-	Investment holding and provision of management services
FFF Limited***	PRC/ Chinese Mainland	HK\$,XXX,XXX	-	XXX	Manufacture of industrial products
GGG Limited****	Hong Kong	HK\$XXX,XXX	-	XXX	Manufacture of industrial products
HHH Limited	Chinese Mainland	HK\$,XXX,XXX	-	XXX	Property infrastructure development
* Not audited by [auditors], Hong Kong or another member firm of the [auditors] global network					
** CCC Enterprise Limited is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.					
*** FFF Limited is registered as a wholly-foreign-owned enterprise under PRC law.					
**** GGG Limited, a Hong Kong listed company, is accounted for as a subsidiary of the Group even though the Group has only a XX% equity interest in this company based on the factors explained in note 3 to the consolidated financial statements.					
During the year, the Group acquired FFF Limited from a fellow subsidiary of the Company. Further details of this acquisition are included in notes 37 and 43(b)(ii) to the consolidated financial statements.					

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS					
31 December 2023					
1. CORPORATE AND GROUP INFORMATION (continued)					
Information about subsidiaries (continued)					
The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.					
2.1. BASIS OF PREPARATION					
These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as derivative financial instruments, wealth management products and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.					
Basis of consolidation					
The consolidated financial statements include the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).					
When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:					
(a) the contractual arrangement with the other vote holders of the investee;					
(b) rights arising from other contractual arrangements; and					
(c) the Group's voting rights and potential voting rights.					

TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)					
31 December 2024					
1. CORPORATE AND GROUP INFORMATION (continued)					
Information about subsidiaries (continued)					
The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.					
2. NOTE 2 FOLDER					
2.1. BASIS OF PREPARATION					
These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.					
Basis of consolidation					
The consolidated financial statements include the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).					
Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:					
(a) the contractual arrangement with the other vote holders of the investee;					
(b) rights arising from other contractual arrangements; and					
(c) the Group's voting rights and potential voting rights.					

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.1. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued the following new and revised HKFRSs, which are effective for the financial year ending 31 December 2023:

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

The nature and impact of the revised HKFRSs are described below:

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 17 Insurance Contracts (HKFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure will replace HKFRS 4 Insurance Contracts (HKFRS 4) that was issued in 2005 once effective. HKFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of HKFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, HKFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of HKFRS 17 is the general model, supplemented by: A specific adaptation for contracts with direct participation features (the variable fee approach) and A simplified approach (the premium allocation approach) mainly for short-duration contracts. As the Group did not have contracts within the scope of HKFRS 17, the standard did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to HKAS 8 introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions. The amendments had no impact on the Group's financial statements.

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.1. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve, and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As a result of implementing the amendments, the Group has provided

TR EXAMPLE GROUP
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2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKAS 12 International Tax Reform - Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1,3,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ¹
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ^{1,5}

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

² No mandatory effective date yet determined but available for adoption

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

³ As a consequence of the amendments to HKAS 1 issued in August 2020 and December 2022, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁴ As a consequence of the amendments to HKAS 1 Non-current Liabilities with Covenants issued by the HKIPCA in 2022, the effective date of the amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* was deferred and entities are required to apply both amendments for annual periods beginning on or after 1 January 2024. In addition, consequential amendments were made to HKFRS Practice Statement 2 *Making Materiality Judgements*

⁵ The amendments have been issued by the IASB. At the time of issuance of this illustrative financial information, the equivalent amendments are expected to be issued shortly by the HKICPA.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

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

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

additional disclosures about its supplier finance arrangement. Please refer to Note 26 and Note 46.

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

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

Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ¹

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2. NOTE 2 FOLDER (continued)

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

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 9 and HKFRS 7 clarify that a financial liability is derecognised on the 'settlement date', i.e., when the recent obligation is discharged or cancelled or expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. It also addresses how to assess the contractual cash flow characteristics of financial assets that include environment, social and government (ESG)-linked features and other similar contingent features. Additionally, the amendments clarify the treatment of non-recourse assets and contractually linked instruments (CLI). The amendments require additional disclosures in HKFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income (FVTOCI). The amendments are effective for annual periods beginning on or after 1 January 2026. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

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

HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. HKFRS 18 also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to HKAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. HKFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. HKFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

HKFRS 19 allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with HKFRS accounting standards. HKFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 19 is not expected to be applied for purposes of the consolidated financial statements of the Group.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4. MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

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

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of

liquidation at fair value, or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.	
The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.	
TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS	
31 December 2023	
2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)	
Business combinations and goodwill (continued)	
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.	
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.	
Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.	
Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.	
Fair value measurement	
The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.	
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.	
TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS	
31 December 2023	
2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)	
Fair value measurement (continued)	
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.	
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:	
Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities	
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly	
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable	
For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.	
Impairment of non-financial assets	
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is	

liquidation at fair value, or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.	
TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)	
31 December 2024	
2. NOTE 2 FOLDER (continued)	
2.4. MATERIAL ACCOUNTING POLICIES (continued)	
Business combinations and goodwill (continued)	
The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.	
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.	
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.	
Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.	
Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.	
TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)	
31 December 2024	
2. NOTE 2 FOLDER (continued)	
2.4. MATERIAL ACCOUNTING POLICIES (continued)	
Fair value measurement	
The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.	
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.	
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.	
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:	
Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities	
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly	
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable	
For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.	

determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group ;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

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

- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

Buildings	X% to X%
Leasehold improvements	Over the shorter of the lease terms and xx%
Plant and machinery	XX% to XX%
Furniture and fixtures	XX% to XX%
Motor vehicles	XX% to XX%

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

Investment properties

Investment properties are interests in land and buildings including the leasehold property held as a right-of-use-asset held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale (continued)

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

Intangible assets (other than goodwill)

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

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

Property, plant and equipment and depreciation

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

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

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

Buildings	X% to X%
Leasehold improvements	Over the shorter of the lease terms and xx%
Plant and machinery	XX% to XX%
Furniture and fixtures	XX% to XX%
Motor vehicles	XX% to XX%

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

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Investment properties

Investment properties are interests in land and buildings including right-of-use-asset held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

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

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Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. <i>Patents and licences</i> Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of XX to XX years. <i>Research and development costs</i> All research costs are charged to the consolidated statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production. <u>Leases</u> The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	36
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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS 31 December 2023 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) <u>Leases (continued)</u> <i>Group as a lessee</i> The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. (a) Right-of-use assets The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows: <table><tr><td>Leasehold land</td><td>Over the lease terms</td></tr><tr><td>Plant and machinery</td><td>XX% to XX%</td></tr><tr><td>Motor vehicles</td><td>XX% to XX%</td></tr></table> If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. (b) Lease liabilities Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.	Leasehold land	Over the lease terms	Plant and machinery	XX% to XX%	Motor vehicles	XX% to XX%	37
Leasehold land	Over the lease terms						
Plant and machinery	XX% to XX%						
Motor vehicles	XX% to XX%						

TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued) 31 December 2024 2. NOTE 2 FOLDER (continued) 2.4. MATERIAL ACCOUNTING POLICIES (continued) <u>Intangible assets (other than goodwill)</u> Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. <i>Patents and licences</i> Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of XX to XX years. <i>Research and development costs</i> All research costs are charged to the consolidated statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production. <u>Leases</u> The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	38
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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued) 31 December 2024 2. NOTE 2 FOLDER (continued) 2.4. MATERIAL ACCOUNTING POLICIES (continued) <u>Leases (continued)</u> <i>Group as a lessee</i> The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. (a) Right-of-use assets The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows: <table><tr><td>Leasehold land</td><td>Over the lease terms</td></tr><tr><td>Plant and machinery</td><td>XX% to XX%</td></tr><tr><td>Motor vehicles</td><td>XX% to XX%</td></tr></table> If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. (b) Lease liabilities Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.	Leasehold land	Over the lease terms	Plant and machinery	XX% to XX%	Motor vehicles	XX% to XX%	39
Leasehold land	Over the lease terms						
Plant and machinery	XX% to XX%						
Motor vehicles	XX% to XX%						

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

(b) Lease liabilities (continued)

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

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

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

The Group applies the short-term lease recognition exemption to its short-term leases of [machinery and Equipment] (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). [It also applies the lease of low-value assets recognition exemption to leases of [office equipment] that are considered to be low value].

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

(b) Lease liabilities (continued)

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

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

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

The Group applies the short-term lease recognition exemption to its short-term leases of [machinery and Equipment] (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). [It also applies the lease of low-value assets recognition exemption to leases of [office equipment] that are considered to be low value].

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative standalone selling price basis. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the

asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

- Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

- Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortized cost (loans and borrowings)

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets", and (ii) the amount initially recognised less, when appropriate the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a legally enforceable right to offset and the amounts are measured on a consistent basis.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition, measurement and presentation

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

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

The Group classifies financial liabilities that arise from supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the consolidated statement of financial position are included in operating activities in the consolidated statement of cash flows.

Subsequent measurement

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

Financial liabilities at amortized cost (loans and borrowings)

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

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets", and (ii) the amount initially recognised less, when appropriate the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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**TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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

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

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

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

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Cash flow hedges

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

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**TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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

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

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

Current versus non-current classification

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**TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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

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

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

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

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**TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Cash flow hedges

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

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

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

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

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current, as presented into current and

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification (continued)

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Provisions (continued)

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

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Income tax

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

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

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

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

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Income tax

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

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

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

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

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

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

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

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

- (a) Sale of industrial products

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

Some contracts for the sale of industrial products provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

- (a) Sale of industrial products

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

Some contracts for the sale of industrial products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(A) Rights of return For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.	
(B) Volume rebates Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.	
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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS 31 December 2023 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) Revenue recognition (continued) Revenue from contracts with customers (continued) (b) Installation services The Group provides installation services that are either sold separately or bundled together with the sale of industrial products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the industrial products. Contracts for bundled sales of industrial products and installation services are comprised of two performance obligations because the promises to transfer the industrial products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the industrial products and installation services. Revenue from installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service. (c) Construction services Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled. (d) Provision of management services Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.	
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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS 31 December 2023 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) Revenue recognition (continued) Revenue from other sources Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred. Other income Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.	

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued) 31 December 2024 2. NOTE 2 FOLDER (continued) 2.4. MATERIAL ACCOUNTING POLICIES (continued) Revenue recognition (continued) Revenue from contracts with customers (continued) (a) Sale of industrial products (continued) (i) Rights of return For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer. (ii) Volume rebates Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised. (b) Installation services The Group provides installation services that are either sold separately or bundled together with the sale of industrial products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the industrial products. Contracts for bundled sales of industrial products and installation services are comprised of two performance obligations because the promises to transfer the industrial products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the industrial products and installation services.
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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued) 31 December 2024 2. NOTE 2 FOLDER (continued) 2.4. MATERIAL ACCOUNTING POLICIES (continued) Revenue recognition (continued) Revenue from contracts with customers (continued) (b) Installation services (continued) Revenue from installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service. (c) Construction services Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled. (d) Provision of management services Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from other sources Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.
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Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Contract costs

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

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs (continued)

- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the consolidated statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2003 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the consolidated financial statements.

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Other income

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

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

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified when the right to the consideration becomes unconditional.

Contract liabilities

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

Contract costs

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

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the consolidated statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the consolidated financial statements.

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

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31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

Other employee benefits

Pension scheme

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

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31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

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

Other employee benefits

Pension scheme

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

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2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

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

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

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31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

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

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31 December 2023

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

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

31 December 2024

2. NOTE 2 FOLDER (continued)

2.4. MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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

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

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(A) Identifying performance obligations in a bundled sale of industrial products and installation services

The Group provides installation services that are either sold separately or bundled together with the sale of industrial products to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both industrial products and installation services are each capable of being distinct. The fact that the Group regularly sells both industrial products and installation services on a standalone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the industrial products and to provide installation services are distinct within the context of the contract. The industrial products and installation services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the industrial products and installation services together in the contract does not result in any additional or combined functionality and neither the equipment nor the installation modifies or customises the other. In addition, the industrial products and installation services are not highly interdependent or highly interrelated, because the Group would be able to transfer the industrial products even if the customer declined installation and would be able to provide installation services in relation to products sold by other distributors. Consequently, the Group has allocated a portion of the transaction price to the industrial products and the installation services based on relative standalone selling prices.

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Identifying performance obligations in a bundled sale of industrial products and installation services

The Group provides installation services that are either sold separately or bundled together with the sale of industrial products to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both industrial products and installation services are each capable of being distinct. The fact that the Group regularly sells both industrial products and installation services on a standalone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the industrial products and to provide installation services are distinct within the context of the contract. The industrial products and installation services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the industrial products and installation services together in the contract does not result in any additional or combined functionality and neither the equipment nor the installation modifies or customises the other. In addition, the industrial products and installation services are not highly interdependent or highly interrelated, because the Group would be able to transfer the industrial products even if the customer declined installation and would be able to provide installation services in relation to products sold by other distributors. Consequently, the Group has allocated a portion of the transaction price to the industrial products and the installation services based on relative standalone selling prices.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

(B) Determining the timing of satisfaction of installation services

The Group concluded that revenue for installation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the services.

(C) Determining the method to estimate variable consideration and assessing the constraint for the sale of industrial products

Certain contracts for the sale of industrial products include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of industrial products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of industrial products with volume rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

(D) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

Property lease classification – Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e. three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

(ii) Determining the timing of satisfaction of installation services

The Group concluded that revenue for installation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the services.

(iii) Determining the method to estimate variable consideration and assessing the constraint for the sale of industrial products

Certain contracts for the sale of industrial products include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of industrial products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of industrial products with volume rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

(iv) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

Property lease classification – Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e. three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

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

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls GGG Limited even though it owns less than XX% of the voting rights. This is because the Group is the single largest shareholder of GGG Limited with a XX% equity interest. The remaining XX% of the equity shares in GGG Limited are widely held by many other shareholders, none of which individually hold more than X% of the equity shares (since the date of the acquisition of the XX% equity interest in GGG Limited by the Group). Since the date of acquisition, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Estimation uncertainty

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

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

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31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Variable consideration for returns and volume rebates (continued)

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2023, the amount recognised as refund liabilities was HK\$XX,XXX,XXX (2022: HK\$X,XXX,XXX) for the expected returns and volume rebates.

Variable considerations for claims to customers

The Group estimates variable considerations for claims to be included in the transaction price for the provision of construction services.

The Group developed a statistical model for estimating expected successful claims. The model used the historical claims data including the historical experiences with the same customer, profitability of the head contracts of the customers and economic conditions to estimate expected successful claims percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical successful claims pattern will impact the expected successful claims percentages estimated by the Group.

The Group updates its assessment of expected successful claims monthly. Estimates of expected successful claims are sensitive to changes in circumstances and the Group's past experience regarding negotiation of claims may not be representative of the actual outcome in the future.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was HK\$XXX,XXX (2022: HK\$X,XXX,XXX). Further details are given in note 14.

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31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

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

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls GGG Limited even though it owns less than XX% of the voting rights. This is because the Group is the single largest shareholder of GGG Limited with a XX% equity interest. The remaining XX% of the equity shares in GGG Limited are widely held by many other shareholders, none of which individually hold more than X% of the equity shares (since the date of the acquisition of the XX% equity interest in GGG Limited by the Group). Since the date of acquisition, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Estimation uncertainty

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

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

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31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Variable consideration for returns and volume rebates (continued)

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2024, the amount recognised as refund liabilities was HK\$XX,XXX,XXX (2023: HK\$X,XXX,XXX) for the expected returns and volume rebates.

Variable considerations for claims to customers

The Group estimates variable considerations for claims to be included in the transaction price for the provision of construction services.

The Group developed a statistical model for estimating expected successful claims. The model used the historical claims data including the historical experiences with the same customer, profitability of the head contracts of the customers and economic conditions to estimate expected successful claims percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical successful claims pattern will impact the expected successful claims percentages estimated by the Group.

The Group updates its assessment of expected successful claims monthly. Estimates of expected successful claims are sensitive to changes in circumstances and the Group's past experience regarding negotiation of claims may not be representative of the actual outcome in the future.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was HK\$XXX,XXX (2023: HK\$X,XXX,XXX). Further details are given in note 14.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 22 to the consolidated financial statements, respectively.

Leases - Estimating the incremental borrowing rate

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with <i>customer</i>	686,586	595,530
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	2,500	5,575
Other lease payments, including fixed payments	3,900	-
	6,400	5,575
	692,986	601,105

Revenue from contracts with customers

(A) Disaggregated revenue information

	Industrial products	Infrastructure development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2023				
Segments				
Types of goods or service				
Sale of industrial products	577,133	-	-	577,133
Installation services	24,060	-	-	24,060
Construction services	-	76,483	-	76,483
Management services	-	-	8,910	8,910
Total revenue from contracts with customers	601,193	76,483	8,910	686,586

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 22 to the consolidated financial statements, respectively.

Leases - Estimating the incremental borrowing rate

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024	2023
	HK\$'000	HK\$'000
Revenue from contracts with <i>customers</i>	686,586	595,530
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	2,500	2,100
Other lease payments, including fixed payments	3,900	3,475
	6,400	5,575
	692,986	601,105

Total revenue

Revenue from contracts with customers

(i) Disaggregated revenue information

	Industrial products	Infrastructure development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2024				
Segments				
Types of goods or services				
Sale of industrial products	577,133	-	-	577,133
Installation services	24,060	-	-	24,060
Construction services	-	76,483	-	76,483
Management services	-	-	8,910	8,910
Total revenue from contracts with customers	601,193	76,483	8,910	686,586

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(A) Disaggregated revenue information (continued)

	Industrial products	Infrastructure development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2023				
Segments				
Geographical markets				
Hong Kong	214,051	-	8,910	222,961
Mainland China	57,587	76,483	-	134,070
United States of America	212,510	-	-	212,510
European Union	101,841	-	-	101,841
Other countries/regions	15,204	-	-	15,204
Total revenue from contracts with customers	601,193	76,483	8,910	686,586
Timing of revenue recognition				
Goods transferred at a point in time	577,133	-	-	577,133
Services transferred over time	24,060	76,483	8,910	109,453
Total revenue from contracts with customers	601,193	76,483	8,910	686,586

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(A) Disaggregated revenue information (continued)

	Industrial products	Infrastructure development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2022				
Segments				
Types of goods or service				
Sale of industrial products	509,749	-	-	509,749
Installation services	21,240	-	-	21,240
Construction services	-	57,436	-	57,436
Management services	-	-	7,105	7,105
Total revenue from contracts with customers	530,989	57,436	7,105	595,530
Geographical markets				
Hong Kong	199,552	-	7,105	206,657
Mainland China	85,243	57,436	-	142,679
United States of America	170,120	-	-	170,120
European Union	61,874	-	-	61,874
Other countries/regions	14,200	-	-	14,200
Total revenue from contracts with customers	530,989	57,436	7,105	595,530
Timing of revenue recognition				
Goods transferred at a point in time	509,749	-	-	509,749
Services transferred over time	21,240	57,436	7,105	85,781
Total revenue from contracts with customers	530,989	57,436	7,105	595,530

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

	Industrial products	Infrastructure development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2024				
Segments				
Geographical markets				
Hong Kong	214,051	-	8,910	222,961
Chinese Mainland	57,587	76,483	-	134,070
United States of America	212,510	-	-	212,510
European Union	101,841	-	-	101,841
Other countries/regions	15,204	-	-	15,204
Total revenue from contracts with customers	601,193	76,483	8,910	686,586
Timing of revenue recognition				
Goods transferred at a point in time	577,133	-	-	577,133
Services transferred over time	24,060	76,483	8,910	109,453
Total revenue from contracts with customers	601,193	76,483	8,910	686,586

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

	Industrial products	Infrastructure development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2023				
Segments				
Types of goods or services				
Sale of industrial products	509,749	-	-	509,749
Installation services	21,240	-	-	21,240
Construction services	-	57,436	-	57,436
Management services	-	-	7,105	7,105
Total revenue from contracts with customers	530,989	57,436	7,105	595,530
Geographical markets				
Hong Kong	199,552	-	7,105	206,657
Chinese Mainland	85,243	57,436	-	142,679
United States of America	170,120	-	-	170,120
European Union	61,874	-	-	61,874
Other countries/regions	14,200	-	-	14,200
Total revenue from contracts with customers	530,989	57,436	7,105	595,530
Timing of revenue recognition				
Goods transferred at a point in time	509,749	-	-	509,749
Services transferred over time	21,240	57,436	7,105	85,781
Total revenue from contracts with customers	530,989	57,436	7,105	595,530

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(A) Disaggregated revenue information (continued)

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

	2023	2022
	HK\$'000	HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	242	218
Installation services	27	24
Construction services	245	220
Management services	55	50
	<u>569</u>	<u>512</u>
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of goods not previously recognised due to constraints on variable consideration	<u>220</u>	<u>198</u>

(B) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within XX to XX days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(B) Performance obligations (continued)

Installation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, and are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
	HK\$'000	HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	37,779	32,510
After one year	<u>9,473</u>	<u>8,223</u>
	<u>47,252</u>	<u>40,733</u>

The amounts of transaction prices allocated to the remaining performance obligations expected which are expected to be recognised after one year relate to construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

	2024	2023
	HK\$'000	HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	242	218
Installation services	27	24
Construction services	245	220
Management services	55	50
Total	<u>569</u>	<u>512</u>
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of goods not previously recognised due to constraints on variable consideration	<u>220</u>	<u>198</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within XX to XX days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Installation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, and are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024	2023
	HK\$'000	HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	37,779	32,510
After one year	<u>9,473</u>	<u>8,223</u>
Total	<u>47,252</u>	<u>40,733</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Management services (continued)

The amounts of transaction prices allocated to the remaining performance obligations expected which are expected to be recognised after one year relate to construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(B) Performance obligations (continued)

Management services (continued)

		2023	2022
	Notes	HK\$'000	HK\$'000
Other income			
Bank interest income		5,263	3,261
Dividend income from equity investments at fair value through other comprehensive income		104	70
		<u>5,367</u>	<u>3,331</u>
Gains			
Fair value gains on investment properties	12	-	1,700
Gain on disposal of items of property, plant and equipment		-	801
Fair value gains, net:		151	-
Cash flow hedges (transfer from equity)		72	-
Ineffectiveness of cash flow hedges		-	950
Gain on disposal of a subsidiary	38	1,302	297
Others		<u>1,525</u>	<u>3,748</u>
		<u>6,892</u>	<u>7,079</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Management services (continued)

		2024	2023
	Notes	HK\$'000	HK\$'000
Other income			
Bank interest income		5,263	3,261
Dividend income from equity investments at fair value through other comprehensive income		104	70
		<u>5,367</u>	<u>3,331</u>
Gains			
Fair value gains on investment properties	12	-	1,700
Gain on disposal of items of property, plant and equipment		-	801
Fair value gains, net:		151	-
Cash flow hedges (transfer from equity)		72	-
Ineffectiveness of cash flow hedges		-	950
Gain on disposal of a subsidiary	38	1,302	297
Others		<u>1,525</u>	<u>3,748</u>
		<u>6,892</u>	<u>7,079</u>
Total other income and gains			
		<u>6,892</u>	<u>7,079</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

5. PROFIT BEFORE TAX

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

	Notes	2023	2022
		HK\$'000	HK\$'000
Cost of inventories sold		385,383	326,225
Cost of services provided		9,352	7,502
Depreciation of property, plant and equipment		41,718	37,505
Amortisation of patents and licences*	11	759	852
Depreciation of right-of-use assets	13, (a)	759	852
Research and development costs:	15	3,094	2,713
Deferred expenditure amortised*		788	743
Current year expenditure		1,155	1,078
Less: Government grants released**		(530)	(620)
		<u>625</u>	<u>458</u>
		<u>1,413</u>	<u>1,201</u>
Impairment of goodwill***		-	400
Lease payments not included in the measurement of lease liabilities		442	390
Auditors' remuneration	13, (c)	1,474	1,438
Employee benefit expense (excluding directors' remuneration notes 7):			
Wages and salaries		145,675	142,683
Equity-settled share option expense		890	-
Pension-scheme contributions (defined contribution scheme)		3,398	3,092
		<u>149,963</u>	<u>145,775</u>
Foreign exchange differences, net		1,550	927
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	20	(4)	5
Impairment of contract assets, net	22	29	16
		<u>25</u>	<u>21</u>
Remeasurement of financial guarantee contracts	27	260	8

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

5. PROFIT BEFORE TAX (continued)

	Notes	2023	2022
		HK\$'000	HK\$'000
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		200	200
Product warranty provision:	31	2,322	2,156
Additional provision	31	20	-
Provision on onerous contract			
Changes in fair value of Investment properties	12	3,500	(1,700)
Fair value (gains)/losses, net:			
Cash flow hedges (transfer from equity)		(151)	-
Derivative instruments – transactions not qualifying as hedges		332	-
Ineffectiveness of cash flow hedges recorded in other income and gains		(72)	-
Ineffectiveness of cash flow hedges recorded in other expenses		121	-
Dividend income from equity investments at fair value through other comprehensive income		(104)	(70)
Bank interest income^		(5,263)	(3,261)
Gain on disposal of items of property, plant and equipment		-	(801)
Gain on disposal of a subsidiary	38	-	(950)

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

5. PROFIT BEFORE TAX

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

	Notes	2024	2023
		HK\$'000	HK\$'000
Cost of inventories sold		385,383	326,225
Cost of services provided		9,352	7,502
Depreciation of property, plant and equipment		41,718	37,505
Amortisation of patents and licences*	11	759	852
Depreciation of right-of-use assets	13, (a)	759	852
Research and development costs:	15	3,094	2,713
Deferred expenditure amortised*		788	743
Current year expenditure		1,155	1,078
Less: Government grants released**		(530)	(620)
		<u>625</u>	<u>458</u>
		<u>1,413</u>	<u>1,201</u>
Impairment of goodwill***		-	400
Lease payments not included in the measurement of lease liabilities		442	390
Auditors' remuneration	13, (c)	1,474	1,438
Employee benefit expense (excluding directors' remuneration notes 7):			
Wages and salaries		145,675	142,683
Equity-settled share option expense		890	-
Pension-scheme contributions (defined contribution scheme)		3,398	3,092
		<u>149,963</u>	<u>145,775</u>
Foreign exchange differences, net		1,550	927
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	20	(4)	5
Impairment of contract assets, net	22	29	16
		<u>25</u>	<u>21</u>
Remeasurement of financial guarantee contracts	27	260	8

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

5. PROFIT BEFORE TAX (continued)

	Notes	2024	2023
		HK\$'000	HK\$'000
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		200	200
Product warranty provision:	31	2,322	2,156
Additional provision	31	20	-
Provision on onerous contract			
Changes in fair value of Investment properties	12	3,500	(1,700)
Fair value (gains)/losses, net:			
Cash flow hedges (transfer from equity)		(151)	-
Derivative instruments – transactions not qualifying as hedges		332	-
Ineffectiveness of cash flow hedges recorded in other income and gains		(72)	-
Ineffectiveness of cash flow hedges recorded in other expenses		121	-
Dividend income from equity investments at fair value through other comprehensive income		(104)	(70)
Bank interest income^		(5,263)	(3,261)
Gain on disposal of items of property, plant and equipment		-	(801)
Gain on disposal of a subsidiary	38	-	(950)

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31 December 2023

5. PROFIT BEFORE TAX (continued)

- * The amortisation of patents and licences and the amortisation of deferred development costs for the year are included in "Cost of sales" in the consolidated statement of profit or loss.
- ** Various government grants have been received for setting up research activities in an enterprise zone within XXX Province, XXXXXX, to alleviate unemployment in that area. The government grants received have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.
- *** The impairment of goodwill and the impairment of an investment in an associate are included in "Other expenses" in the consolidated statement of profit or loss.
- ^ The total interest income calculated using the effective interest method for financial assets that are not stated at fair value through profit or loss and included in the above amounted to HK\$X,XXX,XXX (2022: HK\$XXX,XXX).
- * The amortisation of patents and licences and the amortisation of deferred development costs for the year are included in "Cost of sales" in the consolidated statement of profit or loss.
- ** Various government grants have been received for setting up research activities in an enterprise zone within XXX, Mainland China, to alleviate unemployment in that area. The government grants received have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

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31 December 2024

5. PROFIT BEFORE TAX (continued)

- * The amortisation of patents and licences and the amortisation of deferred development costs for the year are included in "Cost of sales" in the consolidated statement of profit or loss.
- ** Various government grants have been received for setting up research activities in an enterprise zone within XXX Province, XXXXXX, to alleviate unemployment in that area. The government grants received have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.
- *** The impairment of goodwill and the impairment of an investment in an associate are included in "Other expenses" in the consolidated statement of profit or loss.
- ^ The total interest income calculated using the effective interest method for financial assets that are not stated at fair value through profit or loss and included in the above amounted to HK\$X,XXX,XXX (2023: HK\$XXX,XXX).
- * The amortisation of patents and licences and the amortisation of deferred development costs for the year are included in "Cost of sales" in the consolidated statement of profit or loss.
- ** Various government grants have been received for setting up research activities in an enterprise zone within XXX, Chinese Mainland, to alleviate unemployment in that area. The government grants received have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

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31 December 2023

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Notes	2023	2022
		HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans (including convertible bonds)		18,128	19,838
Interest on lease liabilities		2,570	1,546
Total interest expense on financial liabilities not at fair value through profit or loss		20,698	21,384
Less: Interest capitalised		(2,150)	(2,525)
		18,548	18,859
Other finance costs:			
Increase in discounted amounts of provisions arising from the passage of time	31	805	1,353
		19,353	20,212

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2023	2022
	HK\$'000	HK\$'000
Fees	260	210

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31 December 2024

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Notes	2024	2023
		HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans (including convertible bonds)		18,128	19,838
Interest on lease liabilities		2,570	1,546
Total interest expense on financial liabilities not at fair value through profit or loss		20,698	21,384
Less: Interest capitalised		(2,150)	(2,525)
Subtotal		18,548	18,859
Other finance costs:			
Increase in discounted amounts of provisions arising from the passage of time	31	805	1,353
Total		19,353	20,212

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2024	2023
	HK\$'000	HK\$'000
Fees	260	210

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31 December 2023

7. DIRECTORS' REMUNERATION (continued)

	Group	
	2023	2022
	HK\$'000	HK\$'000
Other emoluments:		
Salaries, allowances and benefits in kind	3,714	4,475
Performance related bonuses	2,100	4,600
Equity-settled share option expense	200	80
Pension scheme contributions	186	134
	6,200	9,289
	6,460	9,499

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31 December 2023

7. DIRECTORS' REMUNERATION (continued)

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

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31 December 2024

7. DIRECTORS' REMUNERATION (continued)

	Group	
	2024	2023
	HK\$'000	HK\$'000
Other emoluments:		
Salaries, allowances and benefits in kind	3,714	4,475
Performance related bonuses	2,100	4,600
Equity-settled share option expense	200	80
Pension scheme contributions	186	134
Subtotal	6,200	9,289
Total fees and other emoluments	6,460	9,499

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31 December 2024

7. DIRECTORS' REMUNERATION (continued)

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

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31 December 2023

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of XX.X% (2022: XX.X%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2022/2023. The first HK\$X,XXX,XXX (2022: Nil) of assessable profits of this subsidiary is taxed at XX.X% and the remaining assessable profits are taxed at XX.X%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdiction in which the Group operates.

	Notes	2023	2022
		HK\$'000	HK\$'000
Current - Hong Kong			
Charge for the year		1,331	1,168
Overprovision in prior years		(2,695)	-
Current - Elsewhere		212	4,296
Deferred		319	11
Total tax (credit)/charge for the year from continuing operations	32	(833)	5,475
Total tax charge for the year from a discontinued operation		939	168
		<u>106</u>	<u>5,643</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong		Australia		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax from continuing operations	7,583		10,349		4,292		22,224	
Profit before tax from a discontinued operation	-		-		10,117		10,117	
	<u>7,583</u>		<u>10,349</u>		<u>14,409</u>		<u>32,341</u>	

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8. INCOME TAX (continued)

2023

	Hong Kong		Australia		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tax at the statutory tax rate	1,252	16.5	3,105	30.0	3,602	25.0	7,959	24.6
Lower tax rate for specific provinces or enacted by local authority	(250)	(3.3)	-	-	(281)	(2.0)	(531)	(1.6)
Adjustments in respect of current tax of previous periods	(2,695)	(35.5)	-	-	-	-	(2,695)	(8.3)
Profits and losses attributable to joint ventures and associates	(1,219)	(16.1)	-	-	(1,266)	(8.8)	(2,485)	(7.7)
Income not subject to tax	(773)	(10.2)	(2,344)	(22.6)	(1,702)	(11.8)	(4,819)	(14.9)
Expenses not deductible for tax	2,273	30.0	10	0.1	419	2.9	2,702	8.3
Tax losses utilised from previous periods	(25)	(0.3)	-	-	-	-	(25)	(0.1)
	<u>(1,437)</u>	<u>(18.9)</u>	<u>771</u>	<u>7.5</u>	<u>772</u>	<u>5.3</u>	<u>106</u>	<u>0.3</u>
Tax (credit)/charge at the Group's effective rate	<u>(1,437)</u>	<u>(18.9)</u>	<u>771</u>	<u>7.5</u>	<u>(167)</u>	<u>(3.9)</u>	<u>(833)</u>	<u>(3.7)</u>
Tax (credit)/charge from continuing operations at the effective rate	-	-	-	-	939	9.3	939	9.3
Tax charge from a discontinued operations at the effective rate	-	-	-	-	-	-	-	-

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31 December 2024

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of XX.X% (2023: XX.X%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2023/2024. The first HK\$X,XXX,XXX (2023: Nil) of assessable profits of this subsidiary is taxed at XX.X% and the remaining assessable profits are taxed at XX.X%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdiction in which the Group operates.

	Notes	2024	2023
		HK\$'000	HK\$'000
Current - Hong Kong			
Charge for the year		1,331	1,168
Overprovision in prior years		(2,695)	-
Current - Elsewhere		212	4,296
Deferred		319	11
Total tax (credit)/charge for the year from continuing operations	32	(833)	5,475
Total tax charge for the year from a discontinued operation		939	168
Total		<u>106</u>	<u>5,643</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong		Australia		Chinese Mainland		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax from continuing operations	7,583		10,349		4,292		22,224	
Profit before tax from a discontinued operation	-		-		10,117		10,117	
Total	<u>7,583</u>		<u>10,349</u>		<u>14,409</u>		<u>32,341</u>	

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31 December 2024

8. INCOME TAX (continued)

2024

	Hong Kong		Australia		Chinese Mainland		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tax at the statutory tax rate	1,252	16.5	3,105	30.0	3,602	25.0	7,959	24.6
Lower tax rate for specific provinces or enacted by local authority	(250)	(3.3)	-	-	(281)	(2.0)	(531)	(1.6)
Adjustments in respect of current tax of previous periods	(2,695)	(35.5)	-	-	-	-	(2,695)	(8.3)
Profits and losses attributable to joint ventures and associates	(1,219)	(16.1)	-	-	(1,266)	(8.8)	(2,485)	(7.7)
Income not subject to tax	(773)	(10.2)	(2,344)	(22.6)	(1,702)	(11.8)	(4,819)	(14.9)
Expenses not deductible for tax	2,273	30.0	10	0.1	419	2.9	2,702	8.3
Tax losses utilised from previous periods	(25)	(0.3)	-	-	-	-	(25)	(0.1)
	<u>(1,437)</u>	<u>(18.9)</u>	<u>771</u>	<u>7.5</u>	<u>772</u>	<u>5.3</u>	<u>106</u>	<u>0.3</u>
Tax (credit)/charge at the Group's effective rate	<u>(1,437)</u>	<u>(18.9)</u>	<u>771</u>	<u>7.5</u>	<u>(167)</u>	<u>(3.9)</u>	<u>(833)</u>	<u>(3.7)</u>
Tax (credit)/charge from continuing operations at the effective rate	-	-	-	-	939	9.3	939	9.3
Tax charge from a discontinued operations at the effective rate	-	-	-	-	-	-	-	-

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31 December 2023

8. INCOME TAX (continued)

2022

	Hong Kong		Australia		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax from continuing operations	12,348		12,803		7,603		32,754	
Profit before tax from a discontinued operation	-		-		8,138		8,138	
	<u>12,348</u>		<u>12,803</u>		<u>15,741</u>		<u>40,892</u>	
Tax at the statutory tax rate	2,037	16.5	3,841	30.0	3,935	25.0	9,813	24.0
Lower tax rate for specific provinces or enacted by local authority	-	-	-	-	(762)	(4.8)	(762)	(1.9)
Profits and losses attributable to joint ventures and associates	(1,201)	(9.7)	-	-	(1,752)	(11.1)	(2,953)	(7.2)
Income not subject to tax	(483)	(3.9)	(115)	(0.9)	(1,904)	(12.1)	(2,502)	(6.1)
Expenses not deductible for tax	95	0.7	-	-	1,952	12.4	2,047	5.0
	<u>448</u>	<u>3.6</u>	<u>3,726</u>	<u>29.1</u>	<u>1,469</u>	<u>9.4</u>	<u>5,643</u>	<u>13.8</u>
Tax charge from continuing operations at the effective rate	<u>448</u>	<u>3.6</u>	<u>3,726</u>	<u>29.1</u>	<u>1,301</u>	<u>17.1</u>	<u>5,475</u>	<u>16.7</u>
Tax charge from a discontinued operations at the effective rate	-	-	-	-	168	2.1	168	2.1

The share of tax attributable to associates and joint ventures amounting to HK\$,XXX,XXX (2022: HK\$,XXX,XXX) and HK\$XXX,XXX (2022: HK\$XXX,XXX), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

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31 December 2023

9. DISCONTINUED OPERATION

On 1 September 2023, the Company announced the decision of its board of directors to dispose of DDD Company Limited. DDD Company Limited engages in construction contract works as a main contractor or subcontractor. The Group has decided to cease its infrastructure development business because it plans to focus its resources on its manufacturing businesses. The disposal of DDD Company Limited is due to be completed on 28 August 2024. As at 31 December 2023, final negotiations for the sale were in progress and DDD Company Limited was classified as a disposal group held for sale and as a discontinued operation.

The results of DDD Company Limited for the year are presented below:

	2023	2022
	HK\$'000	HK\$'000
Revenue	169,419	147,106
Expenses	(158,518)	(138,844)
Financial costs	(429)	(124)
Profit from the discontinued operation	<u>10,472</u>	<u>8,138</u>
Loss recognised on the remeasurement to fair value	<u>(355)</u>	<u>-</u>
Profit before tax from the discontinued operation	<u>10,117</u>	<u>8,138</u>
Income tax:		
Related to pre-tax profit	(942)	(168)
Related to remeasurement to fair value	<u>3</u>	<u>-</u>
Profit for the year from the discontinued operation	<u>9,178</u>	<u>7,970</u>

The major classes of assets and liabilities of DDD Company Limited classified as held for sale as at 31 December are as follows:

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31 December 2024

8. INCOME TAX (continued)

2023

	Hong Kong		Australia		Chinese Mainland		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax from continuing operations	12,348		12,803		7,603		32,754	
Profit before tax from a discontinued operation	-		-		8,138		8,138	
Total	<u>12,348</u>		<u>12,803</u>		<u>15,741</u>		<u>40,892</u>	
Tax at the statutory tax rate	2,037	16.5	3,841	30.0	3,935	25.0	9,813	24.0
Lower tax rate for specific provinces or enacted by local authority	-	-	-	-	(762)	(4.8)	(762)	(1.9)
Profits and losses attributable to joint ventures and associates	(1,201)	(9.7)	-	-	(1,752)	(11.1)	(2,953)	(7.2)
Income not subject to tax	(483)	(3.9)	(115)	(0.9)	(1,904)	(12.1)	(2,502)	(6.1)
Expenses not deductible for tax	95	0.7	-	-	1,952	12.4	2,047	5.0
	<u>448</u>	<u>3.6</u>	<u>3,726</u>	<u>29.1</u>	<u>1,469</u>	<u>9.4</u>	<u>5,643</u>	<u>13.8</u>
Tax charge from continuing operations at the effective rate	<u>448</u>	<u>3.6</u>	<u>3,726</u>	<u>29.1</u>	<u>1,301</u>	<u>17.1</u>	<u>5,475</u>	<u>16.7</u>
Tax charge from a discontinued operations at the effective rate	-	-	-	-	168	2.1	168	2.1

The share of tax attributable to associates and joint ventures amounting to HK\$,XXX,XXX (2023: HK\$,XXX,XXX) and HK\$XXX,XXX (2023: HK\$XXX,XXX), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

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31 December 2024

9. DISCONTINUED OPERATION

On 1 September 2024, the Company announced the decision of its board of directors to dispose of DDD Company Limited. DDD Company Limited engages in construction contract works as a main contractor or subcontractor. The Group has decided to cease its infrastructure development business because it plans to focus its resources on its manufacturing businesses. The disposal of DDD Company Limited is due to be completed on 28 August 2025. As at 31 December 2024, final negotiations for the sale were in progress and DDD Company Limited was classified as a disposal group held for sale and as a discontinued operation.

The results of DDD Company Limited for the year are presented below:

	2024	2023
	HK\$'000	HK\$'000
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Profit from the discontinued operation	<u>10,472</u>	<u>8,138</u>
Loss recognised on the remeasurement to fair value	<u>(355)</u>	<u>-</u>
Profit before tax from the discontinued operation	<u>10,117</u>	<u>8,138</u>
Income tax:		
Related to pre-tax profit	(942)	(168)
Related to remeasurement to fair value	<u>3</u>	<u>-</u>
Profit for the year from the discontinued operation	<u>9,178</u>	<u>7,970</u>

The major classes of assets and liabilities of DDD Company Limited classified as held for sale as at 31 December are as follows:

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31 December 2023

9. DISCONTINUED OPERATION (continued)

Assets

Property, plant and equipment	39,432	-
Goodwill	1,000	-
Contract assets	10,542	-
Trade receivables	1,844	-
Prepayments, deposits and other receivables	2,369	-
Cash and short term deposits	4,200	-
Assets classified as held for sale	59,387	-

Liabilities

Trade payables	(8,296)	-
Other payables and accruals	(5,579)	-
Tax payable	(1,268)	-
Deferred tax liabilities	(84)	-
Liabilities directly associated with the assets classified as held for sale	(15,227)	-
Net assets directly associated with the disposal group	44,160	-

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

9. DISCONTINUED OPERATION (continued)

The net cash flows incurred by DDD Company Limited are as follows:

	2023	2022
	HK\$'000	HK\$'000
Operating activities	9,324	6,338
Investing activities	-	328
Financing activities	(6,328)	(1,565)
Net cash inflow	2,996	5,101

10. DIVIDENDS

	2023	2022
	HK\$'000	HK\$'000
Interim $\equiv$ HK1 cent (2022: Nil) per ordinary share	6,224	-
Proposed final $\equiv$ HK1 cent (2022: HK1 cent) per ordinary share	6,510	4,150
	12,734	4,150

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. PROPERTY, PLANT AND EQUIPMENT

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2024

9. DISCONTINUED OPERATION (continued)

Assets

Property, plant and equipment	39,432	-
Goodwill	1,000	-
Contract assets	10,542	-
Trade receivables	1,844	-
Prepayments, deposits and other receivables	2,369	-
Cash and short term deposits	4,200	-
Assets classified as held for sale	59,387	-

Liabilities

Trade payables	(8,296)	-
Other payables and accruals	(5,579)	-
Tax payable	(1,268)	-
Deferred tax liabilities	(84)	-
Liabilities directly associated with the assets classified as held for sale	(15,227)	-
Net assets directly associated with the disposal group	44,160	-

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

9. DISCONTINUED OPERATION (continued)

The net cash flows incurred by DDD Company Limited are as follows:

	2024	2023
	HK\$'000	HK\$'000
Operating activities	9,324	6,338
Investing activities	-	328
Financing activities	(6,328)	(1,565)
Net cash inflow	2,996	5,101

10. DIVIDENDS

	2024	2023
	HK\$'000	HK\$'000
Interim $\equiv$ HK1 cent (2023: Nil) per ordinary share	6,224	-
Proposed final $\equiv$ HK1 cent (2023: HK1 cent) per ordinary share	6,510	4,150

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2024								

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Notes	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 December 2023								
At 31 December 2022 and 1 January 2023:								
Cost		33,967	30,270	203,064	63,680	11,993	41,500	384,474
Accumulated depreciation and impairment		(11,685)	(8,627)	(140,987)	(25,311)	(6,960)	-	(193,570)
Net carrying amount		<u>22,282</u>	<u>21,643</u>	<u>62,077</u>	<u>38,369</u>	<u>5,033</u>	<u>41,500</u>	<u>190,904</u>
Additions		13,079	1,458	29,864	19,445	1,171	6,200	71,217
Disposals		-	-	(2,120)	-	-	-	(2,120)
Acquisition of a subsidiary	37	-	-	1,450	-	-	-	1,450
Assets included in a discontinued operation	9	(2,110)	(2,479)	(421)	(121)	(100)	(38,790)	(39,432)
Depreciation provided during the year		8,910	-	(26,301)	(8,439)	(2,389)	-	(41,718)
Transfers		-	-	-	-	-	(8,910)	-
Exchange realignment		-	75	521	19	27	-	642
At 31 December 2023, net of accumulated depreciation and impairment		<u>42,161</u>	<u>20,697</u>	<u>65,070</u>	<u>49,273</u>	<u>3,742</u>	<u>-</u>	<u>180,943</u>
At 31 December 2023:								
Cost or valuation		55,956	31,834	232,850	82,602	12,495	-	415,737
Accumulated depreciation and impairment		(13,795)	(11,137)	(167,780)	(33,329)	(8,753)	-	(234,794)
Net carrying amount		<u>42,161</u>	<u>20,697</u>	<u>65,070</u>	<u>49,273</u>	<u>3,742</u>	<u>-</u>	<u>180,943</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Notes	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 December 2022								
At 31 December 2021 and at 1 January 2022:								
Cost		30,849	29,163	197,437	63,460	12,013	41,273	405,044
Accumulated depreciation and impairment		(10,300)	(6,399)	(121,640)	(18,090)	(5,011)	-	(171,740)
Net carrying amount		<u>20,549</u>	<u>22,764</u>	<u>75,797</u>	<u>45,370</u>	<u>7,002</u>	<u>41,273</u>	<u>233,304</u>
At 1 January 2022, net of accumulated depreciation and impairment								
Additions		3,118	1,521	12,722	1,482	573	227	22,761
Disposals		-	-	(1,098)	(401)	(257)	-	(1,756)
Disposal of a subsidiary	38	-	(191)	(1,356)	(129)	(236)	-	(1,912)
Depreciation provided during the year		(1,385)	(2,365)	(23,817)	(7,924)	(2,014)	-	(38,890)
Exchange realignment		-	(86)	(171)	(29)	(35)	-	(321)
At 31 December 2022, net of accumulated depreciation and impairment		<u>22,282</u>	<u>21,643</u>	<u>62,077</u>	<u>38,369</u>	<u>5,033</u>	<u>41,500</u>	<u>213,186</u>
At 31 December 2022:								
Cost or valuation		33,967	30,270	207,284	63,680	11,993	41,500	422,661
Accumulated depreciation and impairment		(11,685)	(8,627)	(145,207)	(25,311)	(6,960)	-	(209,475)
Net carrying amount		<u>22,282</u>	<u>21,643</u>	<u>62,077</u>	<u>38,369</u>	<u>5,033</u>	<u>41,500</u>	<u>213,186</u>

At 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately HK\$XX,XXX,XXX (2022: HK\$XXX,XXX) were pledged to secure general banking facilities granted to the Group (note 29).

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

31 December 2024

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Notes	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 December 2024								
At 31 December 2023 and 1 January 2024:								
Cost		33,967	30,270	203,064	63,680	11,993	41,500	384,474
Accumulated depreciation and impairment		(11,685)	(8,627)	(140,987)	(25,311)	(6,960)	-	(193,570)
Net carrying amount		<u>22,282</u>	<u>21,643</u>	<u>62,077</u>	<u>38,369</u>	<u>5,033</u>	<u>41,500</u>	<u>190,904</u>
Additions		13,079	1,458	29,864	19,445	1,171	6,200	71,217
Disposals		-	-	(2,120)	-	-	-	(2,120)
Acquisition of a subsidiary	37	-	-	1,450	-	-	-	1,450
Assets included in a discontinued operation	9	(2,110)	(2,479)	(421)	(121)	(100)	(38,790)	(39,432)
Depreciation provided during the year		8,910	-	(26,301)	(8,439)	(2,389)	-	(41,718)
Transfers		-	-	-	-	-	(8,910)	-
Exchange realignment		-	75	521	19	27	-	642
At 31 December 2024, net of accumulated depreciation and impairment		<u>42,161</u>	<u>20,697</u>	<u>65,070</u>	<u>49,273</u>	<u>3,742</u>	<u>-</u>	<u>180,943</u>
At 31 December 2024:								
Cost or valuation		55,956	31,834	232,850	82,602	12,495	-	415,737
Accumulated depreciation and impairment		(13,795)	(11,137)	(167,780)	(33,329)	(8,753)	-	(234,794)
Net carrying amount		<u>42,161</u>	<u>20,697</u>	<u>65,070</u>	<u>49,273</u>	<u>3,742</u>	<u>-</u>	<u>180,943</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Notes	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 December 2023								
At 31 December 2022 and at 1 January 2023:								
Cost		30,849	29,163	197,437	63,460	12,013	41,273	374,195
Accumulated depreciation and impairment		(10,300)	(6,399)	(121,640)	(18,090)	(5,011)	-	(161,440)
Net carrying amount		<u>20,549</u>	<u>22,764</u>	<u>75,797</u>	<u>45,370</u>	<u>7,002</u>	<u>41,273</u>	<u>212,755</u>
At 1 January 2023, net of accumulated depreciation and impairment								
Additions		20,549	22,764	75,797	45,370	7,002	41,273	212,755
Disposals		3,118	1,521	12,722	1,482	573	227	19,643
Disposal of a subsidiary	38	-	-	(1,098)	(401)	(257)	-	(1,756)
Depreciation provided during the year		(1,385)	(2,365)	(23,817)	(7,924)	(2,014)	-	(37,505)
Exchange realignment		-	(86)	(171)	(29)	(35)	-	(321)
At 31 December 2023, net of accumulated depreciation and impairment		<u>22,282</u>	<u>21,643</u>	<u>62,077</u>	<u>38,369</u>	<u>5,033</u>	<u>41,500</u>	<u>190,904</u>
At 31 December 2023:								
Cost or valuation		33,967	30,270	207,284	63,680	11,993	41,500	388,694
Accumulated depreciation and impairment		(11,685)	(8,627)	(145,207)	(25,311)	(6,960)	-	(197,790)
Net carrying amount		<u>22,282</u>	<u>21,643</u>	<u>62,077</u>	<u>38,369</u>	<u>5,033</u>	<u>41,500</u>	<u>190,904</u>

At 31 December 2024, certain of the Group's buildings with a net carrying amount of approximately HK\$XX,XXX,XXX (2023: HK\$XXX,XXX) were pledged to secure general banking facilities granted to the Group (note 29).

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

12. INVESTMENT PROPERTIES

	2023	2022
	HK\$'000	HK\$'000
Carrying amount at 1 January	40,000	38,300
Additions (from acquisition)	3,500	-
Net gain/(loss) from a fair value adjustment	(3,500)	1,700
Carrying amount at 31 December	40,000	40,000

The Group's investment properties consist of three commercial and one industrial properties in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2023 based on valuations performed by XXX, independent professionally qualified valuers, at HK\$XX,XXX,XXX. Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 13 to the consolidated financial statements.

At 31 December 2023, the Group's investment properties with a carrying value of HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX) were pledged to secure general banking facilities granted to the Group (note 29).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Fair value measurement as at 31 December 2023 using				
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000	
Recurring fair value measurement for:				
Commercial properties	-	-	28,000	28,000
Industrial property	-	-	12,000	12,000
	-	-	40,000	40,000

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

12. INVESTMENT PROPERTIES

	2024	2023
	HK\$'000	HK\$'000
Carrying amount at 1 January	40,000	38,300
Additions (from acquisition)	3,500	-
Net gain/(loss) from a fair value adjustment	(3,500)	1,700
Carrying amount at 31 December	40,000	40,000

The Group's investment properties consist of three commercial and one industrial properties in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2024 based on valuations performed by XXX, independent professionally qualified valuers, at HK\$XX,XXX,XXX. Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 13 to the consolidated financial statements.

At 31 December 2024, the Group's investment properties with a carrying value of HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX) were pledged to secure general banking facilities granted to the Group (note 29).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Fair value measurement as at 31 December 2024 using				
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000	
Recurring fair value measurement for:				
Commercial properties	-	-	28,000	28,000
Industrial property	-	-	12,000	12,000
Total	-	-	40,000	40,000

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement for:				
Commercial properties	-	-	27,000	27,000
Industrial property	-	-	13,000	13,000
	-	-	40,000	40,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

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

	Commercial properties HK\$'000	Industrial property HK\$'000
Carrying amount at 1 January 2022	26,000	12,300
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	1,000	700

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Carrying amount at 31 December 2022 and 1 January 2023	27,000	13,000
Additions (from acquisition)	3,500	-
Net loss from a fair value adjustment recognised in other expenses in profit or loss	(2,500)	(1,000)
Carrying amount at 31 December 2023	28,000	12,000

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2023	2022
Commercial properties	Discounted cash flow method	Estimated rental value (per s.q.m. and per month)	[] to []	[] to []
		Rent growth (p.a.)	[]	[]
		Long term vacancy rate	[] to []	[] to []
		Discount rate	[]	[]
Industrial property	Discounted cash flow method	Estimated rental value (per s.q.m. and per month)	[] to []	[] to []
		Rent growth (p.a.)	[]	[]
		Long term vacancy rate	[] to []	[] to []
		Discount rate	[]	[]

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

12. INVESTMENT PROPERTIES (continued)

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement for:				
Commercial properties	-	-	27,000	27,000
Industrial property	-	-	13,000	13,000
Total	-	-	40,000	40,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

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

	Commercial properties HK\$'000	Industrial property HK\$'000
Carrying amount at 1 January 2023	26,000	12,300
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	1,000	700
Carrying amount at 31 December 2023 and 1 January 2024	27,000	13,000
Additions (from acquisition)	3,500	-
Net loss from a fair value adjustment recognised in other expenses in profit or loss	(2,500)	(1,000)
Carrying amount at 31 December 2024	28,000	12,000

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

12. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2024	2023
Commercial properties	Discounted cash flow method	Estimated rental value (per s.q.m. and per month)	[] to []	[] to []
		Rent growth (p.a.)	[]	[]
		Long term vacancy rate	[] to []	[] to []
		Discount rate	[]	[]
Industrial property	Discounted cash flow method	Estimated rental value (per s.q.m. and per month)	[] to []	[] to []
		Rent growth (p.a.)	[]	[]
		Long term vacancy rate	[] to []	[] to []
		Discount rate	[]	[]

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

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Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

13. LEASES

(1) Group as a lessee

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 3 and 5 years, while motor vehicles generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

13. LEASES (continued)

(1) Group as a lessee (continued)

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

	Leasehold land HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 1 January 2022	8,763	12,470	3,004	24,237
Additions	-	10,509	-	10,509
Depreciation charge	(180)	(1,993)	(540)	(2,713)
As at 31 December 2022	8,583	20,986	2,464	32,033
Additions	-	9,509	140	9,649
Depreciation charge	(180)	(2,194)	(720)	(3,094)
As at 31 December 2023	8,403	28,301	1,884	38,588

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Carrying amount at 1 January	32,033	24,237
New leases	9,649	10,509
Accretion of interest recognised during the year	2,570	1,546
Payments	(9,666)	(4,259)
Carrying amount at 31 December	34,586	32,033
Analysed into:		
Current portion	15,923	11,176
Non-current portion	18,663	20,857

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

12. INVESTMENT PROPERTIES (continued)

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

13. LEASES

(1) Group as a lessee

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 3 and 5 years, while motor vehicles generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

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

	Leasehold land HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
As at 1 January 2023	8,763	12,470	3,004	24,237
Additions	-	10,509	-	10,509
Depreciation charge	(180)	(1,993)	(540)	(2,713)
As at 31 December 2023	8,583	20,986	2,464	32,033

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

13. LEASES (continued)

(1) Group as a lessee (continued)

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

Additions	-	9,509	140	9,649
Depreciation charge	(180)	(2,194)	(720)	(3,094)
As at 31 December 2024	8,403	28,301	1,884	38,588

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2024 HK\$'000	2023 HK\$'000
Carrying amount at 1 January	32,033	24,237
New leases	9,649	10,509
Accretion of interest recognised during the year	2,570	1,546
Payments	(9,666)	(4,259)
Carrying amount at 31 December	34,586	32,033
Analysed into:		
Current portion	15,923	11,176
Non-current portion	18,663	20,857

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

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

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31 December 2023

13. LEASES (continued)
(1) Group as a lessee (continued)

(b) Lease liabilities (continued)

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

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

	2023	2022
	HK\$'000	HK\$'000
Interest on lease liabilities	2,570	1,546
Depreciation charge of right-of-use assets	3,094	2,713
Expense relating to short-term leases (included in cost of sales)	-	82
Expense relating to leases of low-value assets (included in administrative expenses)	167	115
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	275	193
Total amount recognised in profit or loss	6,106	4,649

- (d) The total cash outflow for leases is disclosed in notes 39(iii) to the consolidated financial statements .

- (2) Group as a lessor

The Group leases its investment properties (note 12) consisting of three commercial properties and one industrial property in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$X,XXX,XXX (2022: HK\$X,XXX,XXX), details of which are included in note 4 to the consolidated financial statements.

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

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31 December 2023

13. LEASES (continued)
(2) Group as a lessor (continued)

	2023	2022
	HK\$'000	HK\$'000
Within one year	3,705	3,388
After one year but within two years	3,260	3,705
After two years but within three years	3,260	2,705
After three years but within four years	3,600	2,560
After four years but within five years	3,600	2,560
After five years	810	2,454
	18,235	17,372

31 December 2024

13. LEASES (continued)
(1) Group as a lessee (continued)

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

Interest on lease liabilities	2,570	1,546
Depreciation charge of right-of-use assets	3,094	2,713
Expense relating to short-term leases (included in cost of sales)	-	82
Expense relating to leases of low-value assets (included in administrative expenses)	167	115
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	275	193
Total amount recognised in profit or loss	6,106	4,649

31 December 2024

13. LEASES (continued)
(1) Group as a lessee (continued)

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

- (d) The total cash outflow for leases is disclosed in notes 39(iii) to the consolidated financial statements .

- (2) Group as a lessor

The Group leases its investment properties (note 12) consisting of three commercial properties and one industrial property in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$X,XXX,XXX (2023: HK\$X,XXX,XXX), details of which are included in note 4 to the consolidated financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024	2023
	HK\$'000	HK\$'000
Within one year	3,705	3,388
After one year but within two years	3,260	3,705
After two years but within three years	3,260	2,705
After three years but within four years	3,600	2,560
After four years but within five years	3,600	2,560
After five years	810	2,454
Total	18,235	17,372

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

13. LEASES (continued)

(2) Group as a lessor (continued)

14. GOODWILL

HK\$'000

At 1 January 2022	
Cost	2,000
Accumulated impairment	(600)
Net carrying amount	1,400
Cost at 1 January 2022, net of accumulated impairment	1,400
Impairment during the year	(400)
At 31 December 2022	1,000
At 31 December 2022:	
Cost	2,000
Accumulated impairment	(1,000)
Net carrying amount	1,000
Cost at 1 January 2023, net of accumulated impairment	1,000

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. GOODWILL (continued)

Acquisition of a subsidiary	245
Attributable to a discontinued operation	(1,000)
Cost and net carrying amount at 31 December 2023	245

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

14. GOODWILL

HK\$'000

At 1 January 2023	
Cost	2,000
Accumulated impairment	(600)
Net carrying amount	1,400
Cost at 1 January 2023, net of accumulated impairment	1,400
Impairment during the year	(400)
At 31 December 2023	1,000
At 31 December 2023:	
Cost	2,000
Accumulated impairment	(1,000)
Net carrying amount	1,000
Notes	
At 1 January 2022:	
Cost	2,000
Accumulated impairment	(1,000)
Net carrying amount	1,000

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

14. GOODWILL (continued)

Notes	
Cost at 1 January 2024, net of accumulated impairment	1,000
Acquisition of a subsidiary	37
Attributable to a discontinued operation	9
Cost and net carrying amount at 31 December 2024	245

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. GOODWILL (continued)

At 31 December 2023:	
Cost	245
Accumulated impairment	-
Net carrying amount	245

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Industrial products cash-generating unit; and
- Electronic products cash-generating unit.

Industrial products cash-generating unit

The recoverable amount of the industrial products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is X.X% (2022: X.X%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is X% (2022: X.X%). This growth rate exceeds the average growth rate of the industry in which the industrial products unit operates by one percentage point. Senior management of the industrial products unit believes that this growth rate is justified, given the new technology internally developed by the Group during the year. The Group is the pioneer of such technology which has reduced the cost and time of production, and these industrial products qualify for a major product of the Group.

Electronic products cash-generating unit

In 2022, the recoverable amount of the electronic products cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was X.X% and cash flows beyond the five-year period were extrapolated using a growth rate of X.X%, which was the same as the long term average growth rate of the infrastructure industry.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

14. GOODWILL (continued)

Impairment testing of goodwill (continued)

	Industrial products	Electronic products	Total	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of goodwill	245	1,000	245	1,000

Assumptions were used in the value in use calculation of the industrial products and infrastructure cash-generating units for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates - The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation - The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for countries A and B from where the raw materials are sourced.

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

14. GOODWILL (continued)

At 31 December 2024:	
Cost	245
Accumulated impairment	-
Net carrying amount	245

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Industrial products cash-generating unit; and
- Electronic products cash-generating unit.

Industrial products cash-generating unit

The recoverable amount of the industrial products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is X.X% (2023: X.X%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is X% (2023: X.X%). This growth rate exceeds the average growth rate of the industry in which the industrial products unit operates by one percentage point. Senior management of the industrial products unit believes that this growth rate is justified, given the new technology internally developed by the Group during the year. The Group is the pioneer of such technology which has reduced the cost and time of production, and these industrial products qualify for a major product of the Group.

Electronic products cash-generating unit

In 2023, the recoverable amount of the electronic products cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was X.X% and cash flows beyond the five-year period were extrapolated using a growth rate of X.X%, which was the same as the long term average growth rate of the infrastructure industry.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

14. GOODWILL (continued)

Impairment testing of goodwill (continued)

	Industrial products	Electronic products	Total	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of goodwill	245	1,000	245	1,000

Assumptions were used in the value in use calculation of the industrial products and infrastructure cash-generating units for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates - The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation - The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for countries A and B from where the raw materials are sourced.

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

15. OTHER INTANGIBLE ASSETS

	Patents and licences HK\$'000	Deferred development costs HK\$'000	Total HK\$'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	5,224	3,910	9,134
Additions – internal development	-	2,961	2,961
Amortisation provided during the year	(759)	(788)	(1,547)
Exchange realignment	(620)	(314)	(934)
At 31 December 2023	3,845	5,769	9,614
At 31 December 2023:			
Cost	9,510	9,221	18,731
Accumulated amortisation	(5,665)	(3,452)	(9,117)
Net carrying amount	3,845	5,769	9,614
31 December 2022			
At 1 January 2022			
Cost	9,510	6,260	15,770
Accumulated amortisation	(3,434)	(1,607)	(5,041)
Net carrying amount	6,076	4,653	10,729

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

15. OTHER INTANGIBLE ASSETS (continued)

Cost at 1 January 2022, net of accumulated amortisation	6,076	4,653	10,729
Amortisation provided during the year	(852)	(743)	(1,595)
At 31 December 2022	5,224	3,910	9,134
At 31 December 2022 and at 1 January 2023:			
Cost	9,510	6,260	15,770
Accumulated amortisation	(4,286)	(2,350)	(6,636)
Net carrying amount	5,224	3,910	9,134

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

15. OTHER INTANGIBLE ASSETS

	Patents and licences HK\$'000	Deferred development costs HK\$'000	Total HK\$'000
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	5,224	3,910	9,134
Additions – internal development	-	2,961	2,961
Amortisation provided during the year	(759)	(788)	(1,547)
Exchange realignment	(620)	(314)	(934)
At 31 December 2024:			
Cost	9,510	9,221	18,731
Accumulated amortisation	(5,665)	(3,452)	(9,117)
31 December 2023			
At 1 January 2023			
Cost	9,510	6,260	15,770
Accumulated amortisation	(3,434)	(1,607)	(5,041)
Cost at 1 January 2023, net of accumulated amortisation	6,076	4,653	10,729
Amortisation provided during the year	(852)	(743)	(1,595)

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

15. OTHER INTANGIBLE ASSETS (continued)

At 31 December 2023 and at 1 January 2024:			
Cost	9,510	6,260	15,770
Accumulated amortisation	(4,286)	(2,350)	(6,636)

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

15. OTHER INTANGIBLE ASSETS (continued)

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

15. OTHER INTANGIBLE ASSETS (continued)

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

16. INVESTMENTS IN JOINT VENTURES

	2023	2022
	HK\$'000	HK\$'000
Share of net assets	5,920	4,932
Loans to joint ventures	500	500
	6,420	5,432

The loans to the joint ventures are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's net investments in the joint ventures. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

The Group's trade receivable balances due from the joint ventures are disclosed in note 20 to the consolidated financial statements.

Particulars of the Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

16. INVESTMENTS IN JOINT VENTURES

	2024	2023
	HK\$'000	HK\$'000
Share of net assets	5,920	4,932
Loans to joint ventures	500	500
Total	6,420	5,432

The loans to the joint ventures are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's net investments in the joint ventures. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

The Group's trade receivable balances due from the joint ventures are disclosed in note 20 to the consolidated financial statements.

Particulars of the Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for MMM Limited, the shareholding in which is held through a wholly-owned subsidiary of the Company.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023	2022
	HK\$'000	HK\$'000
Share of the associates' profit for the year	639	3,605
Share of the associates' total comprehensive income	639	3,605
Aggregate carrying amount of the Group's investments in the associates	11,635	8,095

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	HK\$'000	HK\$'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
JJJ Limited	5,812	-
KKK Limited	2,735	-
LLL Limited	1,446	-
	9,993	-
Unlisted equity investments, at fair value		
PPP Limited	3,716	3,396
QQQ Limited	1,859	1,559
RRR Limited	-	620
	5,575	5,575
	15,568	5,575

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

In October 2023, the Group sold its equity interest in RRR Limited as this investment no longer coincided with the Group's investment strategy. The fair value on the date of sale was HK\$XXX,XXX and the accumulated gain recognised in other comprehensive income of HK\$XXX,XXX was transferred to retained earnings. During the year ended 31 December 2023, the Group received dividends in the amounts of HK\$XX,XXX, (2022: Nil), HK\$XX,XXX (2022: HK\$XX,XXX) and HK\$XX,XXX (2022: HK\$XX,XXX) from JJJ Limited, PPP Limited and QQQ Limited, respectively.

19. INVENTORIES

through a wholly-owned subsidiary of the Company.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2024	2023
	HK\$'000	HK\$'000
Share of the associates' profit for the year	639	3,605
Share of the associates' total comprehensive income	639	3,605
Aggregate carrying amount of the Group's investments in the associates	11,635	8,095

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
	HK\$'000	HK\$'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
JJJ Limited	5,812	-
KKK Limited	2,735	-
LLL Limited	1,446	-
Subtotal	9,993	-
Unlisted equity investments, at fair value		
PPP Limited	3,716	3,396
QQQ Limited	1,859	1,559
RRR Limited	-	620
Subtotal	5,575	5,575
Total	15,568	5,575

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

In October 2024, the Group sold its equity interest in RRR Limited as this investment no longer coincided with the Group's investment strategy. The fair value on the date of sale was HK\$XXX,XXX and the accumulated gain recognised in other comprehensive income of HK\$XXX,XXX was transferred to retained earnings. During the year ended 31 December 2024, the Group received dividends in the amounts of HK\$XX,XXX, (2023: Nil), HK\$XX,XXX (2023: HK\$XX,XXX) and HK\$XX,XXX (2023: HK\$XX,XXX) from JJJ Limited, PPP Limited and QQQ Limited, respectively.

19. INVENTORIES

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

19. INVENTORIES (continued)

	2023	2022
	HK\$'000	HK\$'000
Raw materials	75,460	105,859
Work in progress	24,985	21,633
Finished goods	16,086	18,855
	<u>116,531</u>	<u>146,347</u>

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

19. INVENTORIES (continued)

At 31 December 2023, the Group's inventories with a carrying amount of HK\$,XXX,XXX (2022: HK\$,XXX,XXX) were pledged as security for the Group's bank loans, as further detailed in note 29 to the consolidated financial statements.

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

19. INVENTORIES (continued)

	2024	2023
	HK\$'000	HK\$'000
Raw materials	75,460	105,859
Work in progress	24,985	21,633
Finished goods	16,086	18,855
Total	<u>116,531</u>	<u>146,347</u>

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

19. INVENTORIES (continued)

At 31 December 2024, the Group's inventories with a carrying amount of HK\$,XXX,XXX (2023: HK\$,XXX,XXX) were pledged as security for the Group's bank loans, as further detailed in note 29 to the consolidated financial statements.

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. TRADE RECEIVABLES

	2023	2022
	HK\$'000	HK\$'000
Trade receivables	100,774	104,481
Impairment	(386)	(390)
	<u>100,388</u>	<u>104,091</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's joint ventures and associates of HK\$XXX,XXX (2022: HK\$XXX,XXX) and HK\$XX,XXX (2022: HK\$XX,XXX), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

A subsidiary has pledged trade receivables of approximately HK\$X,XXX,XXX (2022: HK\$X,XXX,XXX) to secure a bank loan granted to a major supplier.

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

	2023	2022
	HK\$'000	HK\$'000

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. TRADE RECEIVABLES (continued)

	2023	2022
	HK\$'000	HK\$'000
Within 1 month	46,612	52,425
1 to 2 months	27,759	28,378
2 to 3 months	23,720	20,648
Over 3 months	<u>2,297</u>	<u>2,640</u>
	<u>100,388</u>	<u>104,091</u>

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

20. TRADE RECEIVABLES

	2024	2023
	HK\$'000	HK\$'000
Trade receivables	100,774	104,481
Impairment	(386)	(390)
Net carrying amount	<u>100,388</u>	<u>104,091</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's joint ventures and associates of HK\$XXX,XXX (2023: HK\$XXX,XXX) and HK\$XX,XXX (2023: HK\$XX,XXX), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

A subsidiary has pledged trade receivables of approximately HK\$X,XXX,XXX (2023: HK\$X,XXX,XXX) to secure a bank loan granted to a major supplier.

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

	2024	2023
	HK\$'000	HK\$'000

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

20. TRADE RECEIVABLES (continued)

	2024	2023
	HK\$'000	HK\$'000
Within 1 month	46,612	52,425
1 to 2 months	27,759	28,378
2 to 3 months	23,720	20,648
Over 3 months	<u>2,297</u>	<u>2,640</u>
Total	<u>100,388</u>	<u>104,091</u>

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

20. TRADE RECEIVABLES (continued)

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

	Notes	2023	2022
		HK\$'000	HK\$'000
At beginning of year		390	385
Impairment losses, net	5	(4)	5
At end of year		<u>386</u>	<u>390</u>

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

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

As at 31 December 2023

Gross carrying amount (HK\$'000)	61,528	34,289	2,540	2,417	100,774
Expected credit losses (HK\$'000)	189	151	20	26	386

As at 31 December 2022

Gross carrying amount (HK\$'000)	65,987	36,487	2,085	522	105,081
Expected credit losses (HK\$'000)	203	165	17	5	390

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023	2022
		HK\$'000	HK\$'000
Prepayments		9,900	15,808
Deposits and other receivables		18,611	18,691
Right-of-return assets		4,620	4,138
Loans to directors	23	<u>2,890</u>	<u>1,705</u>
		<u>36,021</u>	<u>40,342</u>

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

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

20. TRADE RECEIVABLES (continued)

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

	Notes	2024	2023
		HK\$'000	HK\$'000
At beginning of year		390	385
Impairment losses, net	5	(4)	5
At end of year		<u>386</u>	<u>390</u>

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

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

As at 31 December 2024

	Current	Past due			
		Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.31%	0.44%	0.79%	1.08%	0.38%
Gross carrying amount (HK\$'000)	61,528	34,289	2,540	2,417	100,774
Expected credit losses (HK\$'000)	189	151	20	26	386

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

20. TRADE RECEIVABLES (continued)

As at 31 December 2023

	Current	Past due			
		Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.31%	0.44%	0.81%	0.96%	0.37%
Gross carrying amount (HK\$'000)	65,987	36,487	2,085	522	105,081
Expected credit losses (HK\$'000)	203	165	17	5	390

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2024	2023
		HK\$'000	HK\$'000
Prepayments		9,900	15,808
Deposits and other receivables		18,611	18,691
Right-of-return assets		4,620	4,138
Loans to directors	23	<u>2,890</u>	<u>1,705</u>
Total		<u>36,021</u>	<u>40,342</u>

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

22. CONTRACT ASSETS

	31 December 2023	31 December 2022	1 January 2022
	HK\$'000	HK\$'000	HK\$'000
Contract assets arising from:			
Sales of industrial products	11,549	10,344	9,827
Installation services	2,887	2,586	2,456
Construction services	14,939	14,961	14,553
	29,375	27,891	26,836
Impairment	(114)	(85)	(69)
	29,261	27,806	26,767

Contract assets are initially recognised for revenue earned from the sale of industrial products and the provision of related installation services and construction services as the receipt of consideration is conditional on successful completion of installation of the industrial products and construction, respectively. Included in contract assets for construction services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 and 2022 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of each of the years. (add further explanation as applicable) During the year ended 31 December 2023, HK\$XX,XXX (2022: HK\$XX,XXX) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December follows:

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

22. CONTRACT ASSETS (continued)

	2023	2022
	HK\$'000	HK\$'000
Within one year	7,401	7,225
After one year	21,860	20,581
Total contract assets	29,261	27,806

The movements in the loss allowance for impairment of contract assets are as follows:

	2023	2022
	HK\$'000	HK\$'000
At beginning of year	85	69
Impairment losses, net (note 5)	29	16
At end of year	114	85

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

22. CONTRACT ASSETS

	31 December 2024	31 December 2023	1 January 2023	1 January 2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract assets arising from:				
Sales of industrial products	11,549	10,344	9,827	98,270
Installation services	2,887	2,586	2,456	24,560
Construction services	14,939	14,961	14,553	145,530
Total	29,375	27,891	26,836	268,360
Impairment	(114)	(85)	(69)	(690)
Net carrying amount	29,261	27,806	26,767	267,670

Contract assets are initially recognised for revenue earned from the sale of industrial products and the provision of related installation services and construction services as the receipt of consideration is conditional on successful completion of installation of the industrial products and construction, respectively. Included in contract assets for construction services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2024 and 2023 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of each of the years. (add further explanation as applicable) During the year ended 31 December 2024, HK\$XX,XXX (2023: HK\$XX,XXX) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December follows:

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

22. CONTRACT ASSETS (continued)

	2024	2023
	HK\$'000	HK\$'000
Within one year	7,401	7,225
After one year	21,860	20,581
Total contract assets	29,261	27,806

The movements in the loss allowance for impairment of contract assets are as follows:

	2024	2023
	HK\$'000	HK\$'000
At beginning of year	85	69
Impairment losses, net (note 5)	29	16
At end of year	114	85

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

22. CONTRACT ASSETS (continued)

	2023	2022
Expected credit loss rate	0.38%	0.30%
Gross carrying amount (HK\$'000)	29,375	27,891
Expected credit losses (HK\$'000)	114	85

23. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	At 31 December 2023	Maximum amount outstanding during the year	At 31 December 2022 and 1 January 2023	Maximum amount outstanding during the prior year	At 1 January 2023	Security held
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Name						
Mr. A	1,300	1,300	1,300	1,300	1,300	Marketable securities
Mr. B	1,140	1,140	-	-	-	Residential property
XYZ Limited (controlled by Mr. A)	450	450	405	405	405	None
	2,890		1,705		1,705	

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2023	2022
	HK\$'000	HK\$'000
Listed equity investments, at fair value	19,500	4,500
Other unlisted investments, at fair value	600	500
	20,100	5,000

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments at were wealth management products issued by banks in XXX. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2023	2022
		HK\$'000	HK\$'000
Cash and bank balances		58,053	30,032
Time deposits		51,000	25,500

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

22. CONTRACT ASSETS (continued)

	2024	2023
Expected credit loss rate	0.38%	0.30%
Gross carrying amount (HK\$'000)	29,375	27,891
Expected credit losses (HK\$'000)	114	85

23. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	At 31 December 2024	Maximum amount outstanding during the year	At 31 December 2023 and 1 January 2024	Maximum amount outstanding during the prior year	At 1 January 2024	Security held
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Name						
Mr. A	1,300	1,300	1,300	1,300	1,300	Marketable securities
Mr. B	1,140	1,140	-	-	-	Residential property
XYZ Limited (controlled by Mr. A)	450	450	405	405	405	None
Total	2,890		1,705		1,705	

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2024	2023
	HK\$'000	HK\$'000
Listed equity investments, at fair value	19,500	4,500
Other unlisted investments, at fair value	600	500
Total	20,100	5,000

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments at were wealth management products issued by banks in XXX. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2024	2023
		HK\$'000	HK\$'000
Cash and bank balances		58,053	30,032
Time deposits		51,000	25,500

			109,053	55,532				109,053	55,532
Less: Pledged time deposits:					Subtotal				
Pledged for long term bank loans			29, (b)	(25,500)	(25,500)				
Pledged for bank overdraft facilities			29, (a)	(10,500)	-				
Cash and cash equivalents				73,053	30,032				
			113						112
TR EXAMPLE GROUP									
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS									
31 December 2023									
25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)									
At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$XX,XXX,XXX (2022: HK\$X,XXX,XXX). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.									
Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.									
26. TRADE AND BILLS PAYABLES									
An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:									
			2023	2022				2024	2023
			HK\$'000	HK\$'000				HK\$'000	HK\$'000
Within 1 month			31,316	39,677	Within 1 month			31,316	39,677
1 to 2 months			25,620	25,107	1 to 2 months			25,620	25,107
2 to 3 months			10,565	8,498	2 to 3 months			10,565	8,498
Over 3 months			5,645	4,289	Over 3 months			5,645	4,289
			73,146	77,571	Total			73,146	77,571
Included in the trade and bills payables are trade payables of HK\$XX,XXX (2022: HK\$XX,XXX) due to associates which are repayable within 90 days, which represents credit terms similar to those offered by the associates to their major customers.									
The trade payables included in a disposal group (note 9) of HK\$X,XXX,XXX are aged over three months and the contract liabilities of HK\$XXX,XXX is aged over six months.									
The trade payables are non-interest-bearing and are normally settled on 60-day terms.									
			114					113	
TR EXAMPLE GROUP									
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS									
31 December 2023									
27. OTHER PAYABLES AND ACCRUALS									
			Notes	2023	2022				
				HK\$'000	HK\$'000				
Deferred revenue				100	630				
Contract liabilities			(a)	619	569				
Refund liabilities				10,586	6,445				
Other payables			(b)	4,932	5,690				
Accruals				2,595	3,689				
Financial guarantee contracts			(c)	280	20				
Due to the ultimate holding company			43, (d), (i)	27,656	3,992				
				46,768	21,035				
Notes:									
(a) Details of contract liabilities are as follows:									
			31 December	31 December					
			2023	2022					
			HK\$'000	HK\$'000					

			109,053	55,532				109,053	55,532
Less: Pledged time deposits:					Subtotal				
Pledged for long term bank loans			29, (b)	(25,500)	(25,500)				
Pledged for bank overdraft facilities			29, (a)	(10,500)	-				
Cash and cash equivalents				73,053	30,032				
			113						112
TR EXAMPLE GROUP									
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)									
31 December 2024									
25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)									
At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$XX,XXX,XXX (2023: HK\$X,XXX,XXX). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.									
Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.									
26. TRADE AND BILLS PAYABLES									
An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:									
			2024	2023				2024	2023
			HK\$'000	HK\$'000				HK\$'000	HK\$'000
Within 1 month			31,316	39,677	Within 1 month			31,316	39,677
1 to 2 months			25,620	25,107	1 to 2 months			25,620	25,107
2 to 3 months			10,565	8,498	2 to 3 months			10,565	8,498
Over 3 months			5,645	4,289	Over 3 months			5,645	4,289
			73,146	77,571	Total			73,146	77,571
Included in the trade and bills payables are trade payables of HK\$XX,XXX (2023: HK\$XX,XXX) due to associates which are repayable within 90 days, which represents credit terms similar to those offered by the associates to their major customers.									
The trade payables included in a disposal group (note 9) of HK\$X,XXX,XXX are aged over three months and the contract liabilities of HK\$XXX,XXX is aged over six months.									
The trade payables are non-interest-bearing and are normally settled on 60-day terms, including those trade payables that are included in the Group's supplier finance arrangement.									
			114					113	
TR EXAMPLE GROUP									
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)									
31 December 2024									
26. TRADE AND BILLS PAYABLES (continued)									
The Group has established a supplier finance arrangement that is offered to some of the Group's key suppliers in XXX. Participation in the arrangement is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangement will receive early payment on invoices sent to the Group from the Group's external finance provider. If suppliers choose to receive early payment, they pay a fee to the finance provider, to which the Group is not party. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices approved by the Group. Payments to suppliers ahead of the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date described above. Payment terms with suppliers have not been renegotiated in conjunction with the arrangement. The Group provides no security to the finance provider.									
All trade payables subject to the supplier finance arrangement are included in trade and bills payables in the consolidated statement of financial position.									
			2024	2023				2024	2023
			HK\$'000	HK\$'000				HK\$'000	HK\$'000
Carrying amount of trade payables that are part of a supplier finance arrangement					Carrying amount of trade payables that are part of a supplier finance arrangement				
Of which suppliers have received payment					Of which suppliers have received payment				
There were no significant non-cash changes in the carrying amount of the trade payables included in the Group's supplier finance arrangement.									

Short-term advances received from customers	319	269
Sale of goods and installation services	250	245
Construction services	50	55
Management services	619	569
Total contract liabilities		
	115	

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TR EXAMPLE GROUP	
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)	
31 December 2024	

27. OTHER PAYABLES AND ACCRUALS			
	Notes	2024	2023
		HK\$'000	HK\$'000
Deferred revenue		100	630
Contract liabilities	(a)	619	569
Refund liabilities		10,586	6,445
Other payables	(b)	4,932	5,690
Accruals	(c)	2,595	3,689
Financial guarantee contracts		280	20
Due to the ultimate holding company	43, (d), (i)	27,656	3,992
Total		46,768	21,035
Notes:			
(a) Details of contract liabilities are as follows:			
		31 December	31 December
		2024	2023
		HK\$'000	HK\$'000
Short-term advances received from customers		319	269
Sale of goods and installation services		250	245
Construction services		50	55
Management services		619	569
Total			

TR EXAMPLE GROUP	
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS	
31 December 2023	
27. OTHER PAYABLES AND ACCRUALS (continued)	
Contract liabilities include short-term advances received to deliver industrial products and render installation, construction and management services. The increase in contract liabilities in 2023 and 2022 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.	
(b) Other payables are non-interest-bearing and have an average term of three months.	
(c) The financial guarantee contracts represent guarantees given to banks in connection with facilities granted to an associate. The associate's banking facilities granted by the banks were HK\$XX,XXX,XXX (2022: HK\$X,XXX,XXX), of which HK\$XX,XXX,XXX (2022: Nil) was utilised by the associate. The Group does not hold any collateral or other credit enhancements over the guarantees.	
The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the Head of Credit Control and the Chief Executive.	
The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the associate). The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. During the year ended 31 December 2023, an additional ECL allowance of HK\$XXX,XXX was provided as a result of an additional amount utilised by the associate. (2022: Nil).	
The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages (2022: Nil).	
28. DERIVATIVE FINANCIAL INSTRUMENTS	
	2023
Assets	Liabilities
HK\$'000	HK\$'000

TR EXAMPLE GROUP	
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)	
31 December 2024	
27. OTHER PAYABLES AND ACCRUALS (continued)	
Contract liabilities include short-term advances received to deliver industrial products and render installation, construction and management services. The increase in contract liabilities in 2024 and 2023 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.	
(b) Other payables are non-interest-bearing and have an average term of three months.	
(c) The financial guarantee contracts represent guarantees given to banks in connection with facilities granted to an associate. The associate's banking facilities granted by the banks were HK\$XX,XXX,XXX (2023: HK\$X,XXX,XXX), of which HK\$XX,XXX,XXX (2023: Nil) was utilised by the associate. The Group does not hold any collateral or other credit enhancements over the guarantees.	
The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the Head of Credit Control and the Chief Executive.	
The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the associate). The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. During the year ended 31 December 2024, an additional ECL allowance of HK\$XXX,XXX was provided as a result of an additional amount utilised by the associate. (2023: Nil).	
The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages (2023: Nil).	
28. DERIVATIVE FINANCIAL INSTRUMENTS	
	2024
Assets	Liabilities
HK\$'000	HK\$'000

Forward currency contracts	1,026	615
Foreign currency swaps	418	-
Interest rate swaps*	-	332
	<u>1,444</u>	<u>947</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

* The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps amounting to HK\$XXX,XXX (2022: Nil) were charged to the consolidated statement of profit or loss during the year.

Cash flow hedge under – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in Euro ("EUR") and forecast purchases in RMB. These forecast transactions are highly probable, and they comprise about XX% of the Group's total expected sales in EUR and about XX% of its total expected purchases in RMB. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

At 31 December 2023, the Group had a foreign currency swap agreement in place with notional amounts of RMBX,XXX,XXX and HK\$X,XXX,XXX whereby the Group receives a fixed rate of interest on the RMB notional amount at X% p.a. and pays a fixed rate of interest on the HK\$ notional amount at X.X% p.a. The swap is being used to hedge the foreign currency exposure of a XX% fixed rate secured bank loan with a face value of RMBX,XXX,XXX.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward and swap contracts match the terms of the expected highly probable forecast transactions and the secured bank loan (i.e., notional amount and expected payment date). The Group has established a hedge ratio of X:X for the hedging relationships as the underlying risks of the foreign exchange forward and swap contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following foreign exchange forward and swap contracts:

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

	Maturity				
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As at 31 December 2023					
Foreign currency forward contracts (highly probable forecast sales)					
Notional amount (in HK\$'000)	13,000	13,500	14,000	14,200	54,700
Average forward rate (EUR/HK\$)		9.0696	9.2464	9.1907	9.2637
Foreign currency forward contracts (highly probable forecast purchases)					
Notional amount (in HK\$'000)	21,000	21,500	21,800	22,200	86,500
Average forward rate (RMB/HK\$)		1.1372	1.1358	1.1343	1.1334
Foreign currency swap contract (XX% RMBX,XXX,XXX secured bank loan)					
Notional amount (in HK\$'000)				5,650	5,650
Hedged rate (RMB/HK\$)					1.13

As at 31 December 2022

The impacts of the hedging instruments on the consolidated statement of financial position are as follows:

Forward currency contracts	1,026	615
Foreign currency swaps	418	-
Interest rate swaps*	-	332
Total	<u>1,444</u>	<u>947</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

* The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps amounting to HK\$XXX,XXX (2023: Nil) were charged to the consolidated statement of profit or loss during the year.

Cash flow hedge under – Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in Euro ("EUR") and forecast purchases in RMB. These forecast transactions are highly probable, and they comprise about XX% of the Group's total expected sales in EUR and about XX% of its total expected purchases in RMB. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

At 31 December 2024, the Group had a foreign currency swap agreement in place with notional amounts of RMBX,XXX,XXX and HK\$X,XXX,XXX whereby the Group receives a fixed rate of interest on the RMB notional amount at X% p.a. and pays a fixed rate of interest on the HK\$ notional amount at X.X% p.a. The swap is being used to hedge the foreign currency exposure of a XX% fixed rate secured bank loan with a face value of RMBX,XXX,XXX.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward and swap contracts match the terms of the expected highly probable forecast transactions and the secured bank loan (i.e., notional amount and expected payment date). The Group has established a hedge ratio of X:X for the hedging relationships as the underlying risks of the foreign exchange forward and swap contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following foreign exchange forward and swap contracts:

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

	Maturity				
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As at 31 December 2024					
Foreign currency forward contracts (highly probable forecast sales)					
Notional amount (in HK\$'000)		13,000	13,500	14,000	54,700
Average forward rate (EUR/HK\$)	9.0696	9.2464	9.1907	9.2637	-
Foreign currency forward contracts (highly probable forecast purchases)					
Notional amount (in HK\$'000)		21,000	21,500	21,800	86,500
Average forward rate (RMB/HK\$)	1.1372	1.1358	1.1343	1.1334	-
Foreign currency swap contract (XX% RMBX,XXX,XXX secured bank loan)					
Notional amount (in HK\$'000)				5,650	5,650
Hedged rate (RMB/HK\$)				1.13	-

As at 31 December 2023

The impacts of the hedging instruments on the consolidated statement of financial position are as follows:

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

	Notional amount HK\$'000	Carrying amount HK\$'000	Line item in the statement of financial position HK\$'000	Change in fair value used for measuring hedge ineffectiveness HK\$'000
As at 31 December 2023				
Foreign currency forward contracts	54,700	(615)	Derivative financial instruments (liabilities)	(615)
Foreign currency forward contracts	86,500	1,026	Derivative financial instruments (assets)	1,026
Foreign currency swap contracts	5,650	418	Derivative financial instruments (assets)	418

As at 31 December 2022

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

The impacts of the hedged items on the consolidated statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness HK\$'000	Cash flow hedge reserve HK\$'000
As at 31 December 2023		
Highly probable forecast sales	(494)	(201)
Highly probable forecast purchases	1,266	552
XX% RMBX,XXX,XXX secured bank loan	346	-
	<u>1,118</u>	<u>351</u>

As at 31 December 2022

The effects of the cash flow hedge on the consolidated statement of profit or loss and the consolidated statement of comprehensive income are as follows:

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

	Notional amount HK\$'000	Carrying amount HK\$'000	Line item in the statement of financial position HK\$'000	Change in fair value used for measuring hedge ineffectiveness HK\$'000
As at 31 December 2024				
Foreign currency forward contracts	54,700	(615)	Derivative financial instruments (liabilities)	(615)
Foreign currency forward contracts	86,500	1,026	Derivative financial instruments (assets)	1,026
Foreign currency swap contracts	5,650	418	Derivative financial instruments (assets)	418

As at 31 December 2023

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

The impacts of the hedged items on the consolidated statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness HK\$'000	Cash flow hedge reserve HK\$'000
As at 31 December 2024		
Highly probable forecast sales	(494)	(201)
Highly probable forecast purchases	1,266	552
XX% RMBX,XXX,XXX secured bank loan	346	-
Total	<u>1,118</u>	<u>351</u>

As at 31 December 2023

The effects of the cash flow hedge on the consolidated statement of profit or loss and the consolidated statement of comprehensive income are as follows:

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

Year ended 31 December 2023

Highly probable forecast sales	(494)	162	(332)	(121)	Other expenses	195	(64)	131	Revenue
Highly probable forecast purchases	1,026	(337)	689	-	N/A	-	-	-	N/A
XX% RMBX,XXX,XXX secured bank loan	346	(114)	232	72	Other income and gains	(346)	114	(232)	Finance costs

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

Year ended 31 December 2024

Highly probable forecast sales	(494)	162	(332)	(121)	Other expenses	195	(64)	131	Revenue
Highly probable forecast purchases	1,026	(337)	689	-	N/A	-	-	-	N/A
XX% RMBX,XXX,XXX secured bank loan	346	(114)	232	72	Other income and gains	(346)	114	(232)	Finance costs

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

Year ended 31 December 2022

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under – Foreign currency risk (continued)

Year ended 31 December 2023

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
STATEMENTS

31 December 2023

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2023		31 December 2022	
Notes	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	
Current					
Lease liabilities	13, (b)	9-15	2024	15,923	8-11
Bank overdrafts – secured		10-12	On demand	2,102	9-10
Bank loans – unsecured		12-14	2024	61,257	10-13
Bank loans – secured		10-12	2024	52,133	9-10
Current portion of long term bank loans – secured		10-12	2024	3,119	9-10
			134,534		
Non-current					
Lease liabilities	13, (b)	9-15	2025 - 2028	18,663	8-11
X.XX% US\$X,XXX,XXX secured bank loan		HIBOR+0.1	30 April 2028	27,900	-
X.XX% RMB\$X,XXX,XXX secured bank loan*		10	30 June 2027	5,650	-
Other secured bank loans		10 - 12	2025 - 2027	9,373	9-10
Other loans – unsecured		11-12	2025 - 2026	15,906	10-11
			77,492		
Convertible bonds	30	Weighted average of 9.4	2025-2027	26,429	-
			103,921		
			238,455		

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31 December 2023

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

		31 December 2022		31 December 2021	
Notes	Maturity	HK\$'000	Effective interest rate (%)	Maturity	

TR EXAMPLE GROUP
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31 December 2024

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

2024				2023		
	Effective interest rate		HK\$'000	Effective interest rate		HK\$'000
Notes	(%)	Maturity		(%)	Maturity	
Current						
Lease liabilities 13, (b)	9-15	2024	15,923	8-11	2023	11,176
Bank overdrafts – secured	10-12	On demand	2,102	9-10	On demand	22,604
Bank loans – unsecured	12-14	2024	61,257	10-13	2023	60,529
Bank loans – secured	10-12	2024	52,133	9-10	2023	83,776
Current portion of long term bank loans – secured	10-12	2024	3,119	9-10	2023	2,299
Total - current			134,534	180,384		
Non-current						
Lease liabilities 13, (b)	9-15	2025 - 2028	18,663	8-11	2024-2027	20,857
X.XX% US\$X,XXX,XXX secured bank loan	HIBOR+0.1	30 April 2028	27,900	-	-	-
X.XX% RMB\$X,XXX,XXX secured bank loan*	10	30 June 2027	5,650	-	-	-
Other secured bank loans	10 - 12	2025 – 2027	9,373	9-10	2024 - 2026	3,215
Other loans – unsecured	11-12	2025 - 2026	15,906	10-11	2024 - 2025	61,507
Subtotal - non-current			77,492	85,579		
Convertible bonds	30	Weighted average of 9.4	2025-2027	-	-	-
Total - non-current			103,921	85,579		
Total			238,455	265,963		

*Includes the effects of a related foreign currency swap as further detailed in note 28 to the consolidated financial statements

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand		118,611	169,208
In the second year		8,608	2,413
In the third to fifth years, inclusive		3,103	802
Beyond five years		31,212	-
Subtotal		161,534	172,423

Current			
Lease liabilities	13, (b)	2023	11,176
Bank overdrafts – secured		On demand	22,604
Bank loans – unsecured		2023	60,529
Bank loans – secured		2023	83,776
Current portion of long term bank loans – secured		2023	2,299
			<u>180,384</u>
Non-current			
Lease liabilities	13, (b)	2024-2027	20,857
X.XX% US\$X,XXX,XXX secured bank loan			-
X.XX% RMB\$X,XXX,XXX secured bank loan*			-
Other secured bank loans		2024 - 2026	3,215
Other loans – unsecured		2024 - 2025	61,507
			<u>85,579</u>
Convertible bonds	30		-
			<u>85,579</u>
			<u>265,963</u>

*Includes the effects of a related foreign currency swap as further detailed in note 28 to the consolidated financial statements

2023	2022
HK\$'000	HK\$'000

Analysed into:
Bank loans and overdrafts repayable:
Within one year or on demand
In the second year
In the third to fifth years, inclusive
Beyond five years

118,611	169,208
8,608	2,413
3,103	802
31,212	-
<u>161,534</u>	<u>172,423</u>

Other borrowings repayable:
Within one year
In the second year
In the third to fifth years, inclusive
Beyond five years

15,923	11,176
16,508	11,212
44,193	71,152
297	-
<u>76,921</u>	<u>93,540</u>

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Other borrowings repayable:			
Within one year		15,923	11,176
In the second year		16,508	11,212
In the third to fifth years, inclusive		44,193	71,152
Beyond five years		297	-
Subtotal		<u>76,921</u>	<u>93,540</u>
Total		<u>238,455</u>	<u>265,963</u>

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31 December 2023

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

2023	2022
HK\$'000	HK\$'000
<u>238,455</u>	<u>265,963</u>

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
STATEMENTS (continued)

31 December 2024

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

- (a) The Group's overdraft facilities amounting to HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX), of which HK\$X,XXX,XXX (2023: HK\$XX,XXX,XXX) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits amounting to HK\$XX,XXX,XXX (2023: Nil).
- (b) Certain of the Group's bank loans are secured by:
- (i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX);
 - (ii) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately HK\$XX,XXX,XXX (2023: HK\$XXX,XXX);
 - (iii) floating charges over certain of the Group's inventories totalling HK\$X,XXX,XXX (2023: HK\$X,XXX,XXX); and
 - (iv) the pledge of certain of the Group's time deposits amounting to HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX)
- In addition, the Company's ultimate holding company has guaranteed certain of the Group's bank loans up to HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX) as at the end of the reporting period.
- (c) Except for the X.XX% secured bank loan which is denominated in United States dollars, all borrowings are in Hong Kong dollars.
- (d) The Group's other loans are unsecured, bear interest at X% above the Hong Kong dollar prime rate per annum and are repayable by XX monthly equal instalments commencing on 1 January 20XX.

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31 December 2023

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

- (a) The Group's overdraft facilities amounting to HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX), of which HK\$X,XXX,XXX (2022: HK\$XX,XXX,XXX) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits amounting to HK\$XX,XXX,XXX (2022: Nil).
- (b) Certain of the Group's bank loans are secured by:
- (i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX);
 - (ii) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately HK\$XX,XXX,XXX (2022: HK\$XXX,XXX);
 - (iii) floating charges over certain of the Group's inventories totalling HK\$X,XXX,XXX (2022: HK\$X,XXX,XXX); and
 - (iv) the pledge of certain of the Group's time deposits amounting to HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX)

In addition, the Company's ultimate holding company has guaranteed certain of the Group's bank loans up to HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX) as at the end of the reporting period.

- (c) Except for the X.XX% secured bank loan which is denominated in United States dollars, all borrowings are in Hong Kong dollars.
- (d) The Group's other loans are unsecured, bear interest at X% above the Hong Kong dollar prime rate per annum and are repayable by XX monthly equal instalments commencing on 1 January 20XX.

31 December 2023

30. CONVERTIBLE BONDS

On 1 January 2023, the Company issued XX,XXX,XXX X% convertible bonds with a nominal value of HK\$XX,XXX,XXX. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares on 1 January 20XX on the basis of one ordinary share for every three HK\$1 bonds held. The bonds are redeemable at the option of the bondholders at a price of HK\$X.XX per bond on 1 January 20XX. Any convertible notes not converted will be redeemed on 31 December 20XX at a price of HK\$X.XX per HK\$X bond. The bonds carry interest at a rate of X% per annum, which is payable half-yearly in arrears on 30 June and 31 December.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

Notes	2023	2022
	HK\$'000	HK\$'000
Nominal value of convertible bonds issued during the year	30,000	-
Equity component	(3,852)	-
Liability component at the issuance date	26,148	-
Interest expense	2,381	-
Interest paid	(2,100)	-
Liability component at 31 December	29	26,429

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31 December 2023

31. PROVISION

	Warranties	Onerous contract	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023	7,128	120	7,248
Additional provision	2,322	20	2,342
Amounts utilised during the year	(2,577)	-	(2,577)
Increase in discounted amounts arising from the passage of time	805	-	805
Exchange realignment	227	-	227
At 31 December 2023	7,905	140	8,045
Portion classified as current liabilities	(2,363)	(140)	(2,503)
Non-current portion	5,542	-	5,542

The Group provides two-year warranties to its customers on certain of its electronic products and warranties ranging from one to five years to its customers for construction services for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

A provision is recognised for certain contracts with suppliers for which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. It is anticipated that these costs will be incurred in the next financial year.

31 December 2024

30. CONVERTIBLE BONDS

On 1 January 2024, the Company issued XX,XXX,XXX X% convertible bonds with a nominal value of HK\$XX,XXX,XXX. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares on 1 January 20XX on the basis of one ordinary share for every three HK\$1 bonds held. The bonds are redeemable at the option of the bondholders at a price of HK\$X.XX per bond on 1 January 20XX. Any convertible notes not converted will be redeemed on 31 December 20XX at a price of HK\$X.XX per HK\$X bond. The bonds carry interest at a rate of X% per annum, which is payable half-yearly in arrears on 30 June and 31 December.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

Notes	2024	2023
	HK\$'000	HK\$'000
Nominal value of convertible bonds issued during the year	30,000	-
Equity component	(3,852)	-
Liability component at the issuance date	26,148	-
Interest expense	2,381	-
Interest paid	(2,100)	-
Liability component at 31 December	29	26,429

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TR EXAMPLE GROUP
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31 December 2024

31. PROVISION

	Warranties	Onerous contract	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	7,128	120	7,248
Additional provision	2,322	20	2,342
Amounts utilised during the year	(2,577)	-	(2,577)
Increase in discounted amounts arising from the passage of time	805	-	805
Exchange realignment	227	-	227
At 31 December 2024	7,905	140	8,045
Portion classified as current liabilities	(2,363)	(140)	(2,503)
Non-current portion	5,542	-	5,542

The Group provides two-year warranties to its customers on certain of its electronic products and warranties ranging from one to five years to its customers for construction services for general repairs of defects occurring during the warranty period. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

A provision is recognised for certain contracts with suppliers for which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. It is anticipated that these costs will be incurred in the next financial year.

32. DEFERRED TAX

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

Deferred tax liabilities

2023					
Notes	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Development costs HK\$'000	Cash flow hedges HK\$'000	Total HK\$'000
At 1 January 2023	1,079	293	200	-	1,572
Deferred tax charged/(credited) to the statement of profit or loss during the year	8	269	(21)	171	366
Exchange differences	(37)	-	-	-	(37)

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32. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

2023					
Notes	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Development costs HK\$'000	Cash flow hedges HK\$'000	Total HK\$'000
Gross deferred tax liabilities at 31 December 2023	1,311	272	147	171	1,901

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32. DEFERRED TAX

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

Deferred tax liabilities

2024					
Notes	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Development costs HK\$'000	Cash flow hedges HK\$'000	Total HK\$'000
At 1 January 2024	1,079	293	200	-	1,572
Deferred tax charged/(credited) to the statement of profit or loss during the year	8	269	(21)	171	366
Exchange differences	(37)	-	-	-	(37)

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TR EXAMPLE GROUP
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STATEMENTS (continued)

31 December 2024

32. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

2024					
Notes	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Development costs HK\$'000	Cash flow hedges HK\$'000	Total HK\$'000
Gross deferred tax liabilities at 31 December 2024	1,311	272	147	171	1,901

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32. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Deferred tax assets

Notes	Impairment of financial and contract assets HK\$'000	Provision for onerous contract HK\$'000	Total HK\$'000
At 1 January 2023	46	36	82
Deferred tax charged to the statement of profit or loss during the year	8 45	2	47
Gross deferred tax assets at 31 December 2023	91	38	129

Deferred tax liabilities

Notes	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Development costs HK\$'000	Total HK\$'000
At 1 January 2022	1,011	308	235	1,554
Deferred tax charged/(credited) to the statement of profit or loss during the year	8 68	(15)	(35)	18
Gross deferred tax liabilities at 31 December 2022	1,079	293	200	1,572

Notes	Impairment of financial and contract assets HK\$'000	Provision for onerous contract HK\$'000	Total HK\$'000
At 1 January 2022	52	36	88
Deferred tax charged to the statement of profit or loss during the year	8 7	-	7
Gross deferred tax assets at 31 December 2022	59	36	95

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

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31 December 2023

32. DEFERRED TAX (continued)

Notes	2023 HK\$'000	2022 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	-	-
Net deferred tax liabilities recognised in the consolidated statement of financial position	1,772	1,490
Net deferred tax liabilities included in the disposal group	9 (84)	-
Net deferred tax liabilities in respect of continuing operations	1,688	1,490

The Group has tax losses arising in Hong Kong of HK\$X,XXX,XXX (2022: HK\$XXX,XXX) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been presented in respect of these losses as they have expired for

TR EXAMPLE GROUP
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31 December 2024

32. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Deferred tax assets

Notes	Impairment of financial and contract assets HK\$'000	Provision for onerous contract HK\$'000	Total HK\$'000
At 1 January 2024	46	36	82
Deferred tax charged to the statement of profit or loss during the year	8 45	2	47
Gross deferred tax assets at 31 December 2024	91	38	129

Deferred tax liabilities

Notes	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Development costs HK\$'000	Total HK\$'000
At 1 January 2023	1,011	308	235	1,554
Deferred tax charged/(credited) to the statement of profit or loss during the year	8 68	(15)	(35)	18
Gross deferred tax liabilities at 31 December 2023	1,079	293	200	1,572

Notes	Impairment of financial and contract assets HK\$'000	Provision for onerous contract HK\$'000	Total HK\$'000
At 1 January 2023	52	36	88
Deferred tax charged to the statement of profit or loss during the year	8 7	-	7
Gross deferred tax assets at 31 December 2023	59	36	95

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

32. DEFERRED TAX (continued)

Notes	2024 HK\$'000	2023 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	-	-
Net deferred tax liabilities recognised in the consolidated statement of financial position	1,772	1,490
Net deferred tax liabilities included in the disposal group	9 (84)	-
Net deferred tax liabilities in respect of continuing operations	1,688	1,490

The Group has tax losses arising in Hong Kong of HK\$X,XXX,XXX (2023: HK\$XXX,XXX) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been presented in respect of these losses as they have expired for

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

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

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TR EXAMPLE GROUP
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31 December 2023

33. SHARE CAPITAL

Shares

	2023	2022
	HK\$'000	HK\$'000
Issued and fully paid:		
650,954,288 (2022: 415,035,970) ordinary shares	280,187	199,437

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

	Notes	Number of shares in issue	Share capital HK\$'000
At 1 January 2022		415,035,970	199,437
At 31 December 2022 and 1 January 2023		415,035,970	199,437
Rights issue	33, (a)	207,517,985	74,707
Share options exercised	33, (b)	28,400,000	9,760
Warrants exercised	33, (c)	333	-
		235,918,318	84,467
Share issue expenses		-	(3,717)
At 31 December 2023		650,954,288	280,187

Notes:

- (a) A rights issue of one rights share for every two existing shares held by members on the register of members on 1 February 2023 was made, at an issue price of HK\$X.XX per rights share, resulting in the issue of XXX,XXX,XXX shares for a total cash consideration, before expenses, of HK\$XX,XXX,XXX.
- (b) The subscription rights attaching to XX,XXX,XXX share options were exercised at the subscription price of HK\$X.XXX per share (note 34), resulting in the issue of XX,XXX,XXX shares for a total cash consideration, before expenses, of HK\$X,XX,XXX. An amount of HK\$X,XXX,XXX was transferred from the share option reserve to share capital upon the exercise of the share options.
- (c) XXX shares were issued for cash at a subscription price of HK\$X.XX per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$XXX.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate is X% or XX%.

The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

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

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TR EXAMPLE GROUP
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31 December 2024

33. SHARE CAPITAL

Shares

	2024	2023
	HK\$'000	HK\$'000
Issued and fully paid:		
650,954,288 (2023: 415,035,970) ordinary shares	280,187	199,437

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

	Notes	Number of shares in issue	Share capital HK\$'000
At 1 January 2023		415,035,970	199,437
At 31 December 2023 and 1 January 2024		415,035,970	199,437
Rights issue	33, (a)	207,517,985	74,707
Share options exercised	33, (b)	28,400,000	9,760
Warrants exercised	33, (c)	333	-
Subtotal		235,918,318	84,467
Share issue expenses		-	(3,717)
At 31 December 2024		650,954,288	280,187

Notes:

- (a) A rights issue of one rights share for every two existing shares held by members on the register of members on 1 February 2024 was made, at an issue price of HK\$X.XX per rights share, resulting in the issue of XXX,XXX,XXX shares for a total cash consideration, before expenses, of HK\$XX,XXX,XXX.
- (b) The subscription rights attaching to XX,XXX,XXX share options were exercised at the subscription price of HK\$X.XXX per share (note 34), resulting in the issue of XX,XXX,XXX shares for a total cash consideration, before expenses, of HK\$X,XX,XXX. An amount of HK\$X,XXX,XXX was transferred from the share option reserve to share capital upon the exercise of the share options.
- (c) XXX shares were issued for cash at a subscription price of HK\$X.XX per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$XXX.

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33. SHARE CAPITAL (continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the consolidated financial statements.

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every six shares held by members on the register of members on XX XXXXX 2023, resulting in XXX,XXX,XXX warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share at a subscription price of HK\$X.XX per share, payable in cash and subject to adjustment, from the date of issue to 31 December 2023.

During the year, XXX warrants were exercised for XXX shares at a price of HK\$X.XX per share. At the end of the reporting period, the Company had XXX,XXX,XXX warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of XXX,XXX,XXX additional shares.

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including key managements, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on X XXXXX 20XX and, unless otherwise cancelled or amended, will remain in force for XX years from that date.

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

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the directors. In addition, any share options granted to a substantial shareholder of the Company, or to any of their associates, in excess of X.X% of the shares of the Company in issue at any time or with an aggregate value in excess of HK\$X million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within XX days from the date of offer, upon payment of a nominal consideration of HK\$X in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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

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31 December 2023

34. SHARE OPTION SCHEME (continued)

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

2023		2022	
Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
HK\$ per share	'000	HK\$ per share	'000

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33. SHARE CAPITAL (continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the consolidated financial statements.

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every six shares held by members on the register of members on XX XXXXX 2024, resulting in XXX,XXX,XXX warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share at a subscription price of HK\$X.XX per share, payable in cash and subject to adjustment, from the date of issue to 31 December 2024.

During the year, XXX warrants were exercised for XXX shares at a price of HK\$X.XX per share. At the end of the reporting period, the Company had XXX,XXX,XXX warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of XXX,XXX,XXX additional shares.

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including key managements, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on X XXXXX 20XX and, unless otherwise cancelled or amended, will remain in force for XX years from that date.

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

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the directors. In addition, any share options granted to a substantial shareholder of the Company, or to any of their associates, in excess of X.X% of the shares of the Company in issue at any time or with an aggregate value in excess of HK\$X million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within XX days from the date of offer, upon payment of a nominal consideration of HK\$X in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

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

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34. SHARE OPTION SCHEME (continued)

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

At 1 January	0.295	45,900	0.295	37,900
Granted during the year	0.320	54,500	0.295	8,000
Forfeited during the year	0.295	(1,000)	-	-
Exercised during the year	0.295	(28,400)	-	-
Expired during the year	0.295	(500)	-	-

At 31 December	0.314	70,500	0.295	45,900
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The weighted average share price at the date of exercise for share options exercised during the year was HK\$X.XXX per share (2022: No share options were exercised).

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

2023

Number of options	Exercise price*
HK\$'000	HK\$'000
	HK\$ per share

Row1	16,000	0.295
Row2	254,500	0.320
	<u>270,500</u>	

2023

Exercise period
HK\$'000

Row1	1-11-19 to 22-12-22
Row2	1-12-21 to 30-11-23

2022

Number of options	Exercise price*
'000	HK\$ per share

Row1	8,000	0.295
Row2	37,900	0.295
	<u>45,900</u>	

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TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2024

34. SHARE OPTION SCHEME (continued)

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

	2024		2023	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.295	35,900	0.295	27,900
Granted during the year	0.320	54,500	0.295	8,000
Forfeited during the year	0.295	(1,000)	-	-
Exercised during the year	0.295	(28,400)	-	-
Expired during the year	0.295	(500)	-	-

At 31 December	0.314	60,500	0.295	35,900
----------------	-------	--------	-------	--------

The weighted average share price at the date of exercise for share options exercised during the year was HK\$X.XXX per share (2023: No share options were exercised).

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

2024	Number of options	Exercise price*	Exercise period
	HK\$'000	HK\$'000	
		HK\$ per share	HK\$'000
	6,000	0.295	1-11-23 to 22-12-26
	54,500	0.320	1-12-25 to 30-11-27
	<u>60,500</u>		

2023	Number of options	Exercise price*	Exercise period
	'000	HK\$ per share	
	4,000	0.295	2-7-24 to 1-7-25
	31,900	0.295	1-11-23 to 22-12-26
	<u>35,900</u>		

TR EXAMPLE GROUP CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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34. SHARE OPTION SCHEME (continued)

2022

Exercise period

Row1	2-7-20 to 1-7-21
Row2	1-11-19 to 22-12-22

* The exercise prices of the share options are subject to adjustment in the event of debt or equity financing.

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

The fair value of the share options granted during the year was HK\$X,XXX,XXX (HK\$X.XX each) (2022: HK\$XXX,XXX, HK\$X.XX each), of which the Group recognised a share option expense of HK\$X,XXX,XXX (2022: HK\$XXX,XXX) during the year ended 31 December 2023.

The fair value of equity-settled share options granted during the year, except for the excess number of X,XXX,XXX share options granted to Mr. T, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2023	2022
Dividend yield (%)	3.13	3.10
Expected volatility (%)	15.00	15.00
Historical volatility (%)	15.00	15.00
Risk-free interest rate (%)	4.10	3.90
Expected life of options (year)	0.50	0.50
Weighted average share price (HK\$ per share)	0.32	0.30

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The XX,XXX,XXX share options exercised during the year resulted in the issue of XX,XXX,XXX ordinary shares of the Company and new share capital of HK\$X,XXX,XXX (before issue expenses), as further detailed in note 33 to the consolidated financial statements.

At the end of the reporting period, the Company had XX,XXX,XXX share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of XX,XXX,XXX additional ordinary shares of the Company and additional share capital of HK\$XX,XXX,XXX (before issue expenses).

Subsequent to the end of the reporting period, on XX XXXXX 20XX, a total of XX,XXX,XXX share options were granted to certain of the directors of the Company in respect of their services to the Group in the forthcoming year. These share options vest on XX XXXX 20XX and have an exercise price of HK\$X.XX per share and an exercise period ranging from XX XXXXX 20XX to XX XXXX 20XX. The price of the Company's shares at the date of grant was HK\$X.XX per share.

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34. SHARE OPTION SCHEME (continued)

At the date of approval of these consolidated financial statements, the Company had XX,XXX,XXX share options outstanding under the Scheme, which represented approximately XX.X% of the Company's shares in issue as at that date.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 9 to 11 of the consolidated financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's joint ventures which are established in the People's Republic of China has been transferred to reserve funds which are restricted as to use.

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

The fair value of the share options granted during the year was HK\$X,XXX,XXX (HK\$X.XX each) (2023: HK\$XXX,XXX, HK\$X.XX each), of which the Group recognised a share option expense of HK\$X,XXX,XXX (2023: HK\$XXX,XXX) during the year ended 31 December 2024.

The fair value of equity-settled share options granted during the year, except for the excess number of X,XXX,XXX share options granted to Mr. T, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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34. SHARE OPTION SCHEME (continued)

	2024	2023
Dividend yield (%)	3.13	3.13
Expected volatility (%)	15.00	15.00
Historical volatility (%)	15.00	15.00
Risk-free interest rate (%)	4.10	3.90
Expected life of options (year)	0.50	0.50
Weighted average share price (HK\$ per share)	0.32	0.30

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The XX,XXX,XXX share options exercised during the year resulted in the issue of XX,XXX,XXX ordinary shares of the Company and new share capital of HK\$X,XXX,XXX (before issue expenses), as further detailed in note 33 to the consolidated financial statements.

At the end of the reporting period, the Company had XX,XXX,XXX share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of XX,XXX,XXX additional ordinary shares of the Company and additional share capital of HK\$XX,XXX,XXX (before issue expenses).

Subsequent to the end of the reporting period, on XX XXXXX 20XX, a total of XX,XXX,XXX share options were granted to certain of the directors of the Company in respect of their services to the Group in the forthcoming year. These share options vest on XX XXXX 20XX and have an exercise price of HK\$X.XX per share and an exercise period ranging from XX XXXXX 20XX to XX XXXX 20XX. The price of the Company's shares at the date of grant was HK\$X.XX per share.

At the date of approval of these consolidated financial statements, the Company had XX,XXX,XXX share options outstanding under the Scheme, which represented approximately XX.X% of the Company's shares in issue as at that date.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 9 to 11 of the consolidated financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's joint ventures which are established in the People's Republic of China has been transferred to reserve funds which are restricted as to use.

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

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

	2023	2022
Percentage of equity interest held by non-controlling interests:		
CCC Enterprise Limited	55%	60%
GGG Limited	52%	52%
	2023	2022
	HK\$'000	HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
CCC Enterprise Limited	1,728	(126)
GGG Limited	2,400	3,940
Dividends paid to non-controlling interests of GGG Limited	1,627	-
Accumulated balances of non-controlling interests at the reporting dates:		
CCC Enterprise Limited	11,078	11,250
GGG Limited	10,891	10,118

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

	CCC Enterprise Limited HK\$'000	GGG Limited HK\$'000
2023		
Revenue	131,220	110,124
Total expenses	(128,078)	(105,509)
Profit for the year	3,142	4,615
Total comprehensive income for the year	3,142	4,615
Current assets	26,420	40,132
Non-current assets	4,172	11,342
Current liabilities	(9,794)	(30,530)
Non-current liabilities	(656)	-
Net cash flows from operating activities	148	1,032
Net cash flows (used in)/from investing activities	(832)	526
Net cash flows used in financing activities	-	(680)
Net (decrease)/increase in cash and cash equivalents	(684)	878

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CONSOLIDATED NOTES TO THE FINANCIAL
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36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2024	2023
Percentage of equity interest held by non-controlling interests:		
CCC Enterprise Limited	55%	60%
GGG Limited	52%	52%
	2024	2023
	HK\$'000	HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
CCC Enterprise Limited	1,728	(126)
GGG Limited	2,400	3,940
Dividends paid to non-controlling interests of GGG Limited	1,627	-
Accumulated balances of non-controlling interests at the reporting dates:		
CCC Enterprise Limited	11,078	11,250
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The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

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2024		
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Profit for the year	3,142	4,615
Total comprehensive income for the year	3,142	4,615
Current assets	26,420	40,132
Non-current assets	4,172	11,342
Current liabilities	(9,794)	(30,530)
Non-current liabilities	(656)	-
Net cash flows from operating activities	148	1,032
Net cash flows (used in)/from investing activities	(832)	526
Net cash flows used in financing activities	-	(680)
Net (decrease)/increase in cash and cash equivalents	(684)	878

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36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS
(continued)

	CCC Enterprise Limited HK\$'000	GCG Limited HK\$'000
2022		
Revenue	124,100	105,100
Total expenses	(124,310)	(94,523)
(Loss)/profit for the year	(210)	10,577
Total comprehensive income for the year	<u>2,596</u>	<u>7,577</u>
Current assets	25,804	39,011
Non-current assets	3,970	12,040
Current liabilities	(10,368)	(31,593)
Non-current liabilities	<u>(656)</u>	<u>-</u>
Net cash flows from operating activities	480	(341)
Net cash flows from investing activities	120	32
Net cash flows used in financing activities	<u>(68)</u>	<u>200</u>
Net increase/(decrease) in cash and cash equivalents	<u>532</u>	<u>(109)</u>

37. BUSINESS COMBINATION

On XX XXXX 2023, the Group acquired a XXX% interest in FFF Limited from a fellow subsidiary of the Company. FFF Limited is engaged in the manufacture of industrial products. Further details of the transaction are included in note 43(b)(ii) to the consolidated statement of financial position. The acquisition was made as part of the Group's strategy to expand its market share of industrial products in the European Union. The purchase consideration for the acquisition was in the form of cash, with HK\$X,XXX,XXX paid at the acquisition date and the remaining HK\$X,XXX,XXX paid on XX XXXXXX 2023.

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

	Notes	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	11	1,450
Cash and bank balances		205
Trade receivables		655
Prepayments and other receivables		195
Trade payables		(170)
Accruals and other payables		<u>(50)</u>
Total identifiable net assets at fair value		2,285
Goodwill on acquisition	14	<u>245</u>
Satisfied by cash		<u>2,530</u>

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37. BUSINESS COMBINATION (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$XXX,XXX and HK\$XX,XXX, respectively. The gross contractual amounts of trade receivables and other receivables were HK\$XXX,XXX and HK\$XX,XXX, respectively, of which other receivables of HK\$X,XXX are expected to be uncollectible.

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

Included in the goodwill of HK\$XXX,XXX recognised above is a customer list, which is not recognised separately. Because the list is subject to a confidentiality agreement, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK\$'000
Cash consideration	(2,530)
Cash and bank balances acquired	205
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(2,325)</u>
Transaction costs of the acquisition included in cash flows from operating activities	<u>(150)</u>
	<u>(2,475)</u>

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS
(continued)

	CCC Enterprise Limited HK\$'000	GCG Limited HK\$'000
2023		
Revenue	124,100	105,100
Total expenses	(124,310)	(94,523)
(Loss)/profit for the year	(210)	10,577
Total comprehensive income for the year	<u>2,596</u>	<u>7,577</u>
Current assets	25,804	39,011
Non-current assets	3,970	12,040
Current liabilities	(10,368)	(31,593)
Non-current liabilities	<u>(656)</u>	<u>-</u>
Net cash flows from operating activities	480	(341)
Net cash flows from investing activities	120	32
Net cash flows used in financing activities	<u>(68)</u>	<u>200</u>
Net increase/(decrease) in cash and cash equivalents	<u>532</u>	<u>(109)</u>

37. BUSINESS COMBINATION

On XX XXXX 2024, the Group acquired a XXX% interest in FFF Limited from a fellow subsidiary of the Company. FFF Limited is engaged in the manufacture of industrial products. Further details of the transaction are included in note 43(b)(ii) to the consolidated statement of financial position. The acquisition was made as part of the Group's strategy to expand its market share of industrial products in the European Union. The purchase consideration for the acquisition was in the form of cash, with HK\$X,XXX,XXX paid at the acquisition date and the remaining HK\$X,XXX,XXX paid on XX XXXXXX 2024.

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

	Notes	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	11	1,450
Cash and bank balances		205
Trade receivables		655
Prepayments and other receivables		195
Trade payables		(170)
Accruals and other payables		<u>(50)</u>
Total identifiable net assets at fair value		2,285
Goodwill on acquisition	14	<u>245</u>
Satisfied by cash		<u>2,530</u>

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TR EXAMPLE GROUP
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37. BUSINESS COMBINATION (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$XXX,XXX and HK\$XX,XXX, respectively. The gross contractual amounts of trade receivables and other receivables were HK\$XXX,XXX and HK\$XX,XXX, respectively, of which other receivables of HK\$X,XXX are expected to be uncollectible.

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

Included in the goodwill of HK\$XXX,XXX recognised above is a customer list, which is not recognised separately. Because the list is subject to a confidentiality agreement, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	HK\$'000
Cash consideration	(2,530)
Cash and bank balances acquired	205
Transaction costs of the acquisition included in cash flows from operating activities	(150)
Total net cash outflow	<u>(2,475)</u>

Since the acquisition, FFF Limited contributed HK\$XX,XXX,XXX to the Group's revenue and HK\$X,XXX,XXX to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK\$XXX,XXX,XXX and HK\$XX,XXX,XXX, respectively.

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38. DISPOSAL OF A SUBSIDIARY

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

Notes	2023	2022
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	-	1,912
Cash and bank balances	-	10,833
Trade receivables	-	12,401
Prepayments and other receivables	-	2,171
Trade payables	-	(10,045)
Accruals and other payables	-	(2,220)
Tax payable	-	(395)
Non-controlling interests	-	(1,344)
		<u>13,313</u>
Gain on disposal of a subsidiary	4	<u>950</u>
		<u>14,263</u>
Satisfied by:		
Cash		<u>14,263</u>
		<u>HK\$'000</u>
Cash consideration		<u>14,263</u>
Cash and bank balances disposed of		<u>(10,833)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary		<u>3,430</u>

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Since the acquisition, FFF Limited contributed HK\$XX,XXX,XXX to the Group's revenue and HK\$X,XXX,XXX to the consolidated profit for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK\$XXX,XXX,XXX and HK\$XX,XXX,XXX, respectively.

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38. DISPOSAL OF A SUBSIDIARY

Notes	2024	2023
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	-	1,912
Cash and bank balances	-	10,833
Trade receivables	-	12,401
Prepayments and other receivables	-	2,171
Trade payables	-	(10,045)
Accruals and other payables	-	(2,220)
Tax payable	-	(395)
Non-controlling interests	-	(1,344)
		<u>13,313</u>
Gain on disposal of a subsidiary	4	<u>950</u>
Total consideration		<u>14,263</u>
Satisfied by:		
Cash		<u>14,263</u>
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:		
	HK\$'000	HK\$'000
Cash consideration		<u>14,263</u>
Cash and bank balances disposed of		<u>(10,833)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary		<u>3,430</u>

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39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) Major non-cash transactions

During the year, Group had non-cash additions to right-of-use assets and lease liabilities of HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX) and HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX) respectively, in respect of lease arrangements for plant and equipment (2022: Nil).

(B) Changes in liabilities arising from financing activities

	2023		
	Bank and other loans HK\$'000	Lease liabilities HK\$'000	Convertible bonds HK\$'000
At 1 January 2023	211,326	32,033	-
Changes from financing cash flows	(35,988)	(7,096)	30,000
Equity component of convertible bonds	-	-	(3,852)
New lease	-	9,649	-
Interest expense	-	2,570	2,381
Interest paid classified as operating cash flows	-	(2,570)	(2,100)
At 31 December 2023	175,338	34,586	26,429

	2022		
	Bank and other loans HK\$'000	Lease liabilities HK\$'000	Convertible bonds HK\$'000
At 1 January 2022	214,245	24,237	-
Changes from financing cash flows	(2,919)	(2,713)	-
Equity component of convertible bonds	-	-	-
New lease	-	10,509	-
Interest expense	-	1,546	-
Interest paid classified as operating cash flows	-	(1,546)	-
At 31 December 2022	211,326	32,033	-

(C) Total cash outflow for leases

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

31 December 2024

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Major non-cash transactions

During the year, Group had non-cash additions to right-of-use assets and lease liabilities of HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX) and HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX) respectively, in respect of lease arrangements for plant and equipment (2023: Nil).

(ii) Changes in liabilities arising from financing activities

	2024		
	Bank and other loans HK\$'000	Lease liabilities HK\$'000	Convertible bonds HK\$'000
At 1 January 2024	211,326	32,033	-
Changes from financing cash flows	(35,988)	(7,096)	30,000
Equity component of convertible bonds	-	-	(3,852)
New lease	-	9,649	-
Interest expense	-	2,570	2,381
Interest paid classified as operating cash flows	-	(2,570)	(2,100)
At 31 December 2024	175,338	34,586	26,429

	2023		
	Bank and other loans HK\$'000	Lease liabilities HK\$'000	Convertible bonds HK\$'000
At 1 January 2023	214,245	24,237	-
Changes from financing cash flows	(2,919)	(2,713)	-
Equity component of convertible bonds	-	-	-
New lease	-	10,509	-
Interest expense	-	1,546	-
Interest paid classified as operating cash flows	-	(1,546)	-
At 31 December 2023	211,326	32,033	-

(iii) Total cash outflow for leases

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

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

(C) Total cash outflow for leases (continued)

	2023 HK\$'000	2022 HK\$'000
Within operating activities	3,012	1,936
Within financing activities	9,630	4,259
	12,642	6,195

31 December 2024

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

(iii) Total cash outflow for leases (continued)

	2024 HK\$'000	2023 HK\$'000
Within operating activities	3,012	1,936
Within financing activities	9,630	4,259
Total	12,642	6,195

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40. CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary breached and repudiated a verbal contract to purchase a residential property located in XXX in XXXXXXX. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

41. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, and of a bank loan granted to a major supplier, which are secured by the assets of the Group, are included in notes 29 and 20, respectively, to the consolidated financial statements.

42. COMMITMENTS

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

	2023	2022
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Buildings	3,706	8,079
Plant and machinery	7,902	5,903
Capital contributions payable to joint ventures	1,000	-
	<u>12,608</u>	<u>13,982</u>

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2023	2022
	HK\$'000	HK\$'000
Contracted, but not provided for	<u>400</u>	<u>-</u>

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

40. CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary breached and repudiated a verbal contract to purchase a residential property located in XXX in XXXXXXX. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

41. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, and of a bank loan granted to a major supplier, which are secured by the assets of the Group, are included in notes 29 and 20, respectively, to the consolidated financial statements.

42. COMMITMENTS

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

	2024	2023
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Buildings	3,706	8,079
Plant and machinery	7,902	5,903
Total	<u>11,608</u>	<u>13,982</u>

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2024	2023
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Purchase of inventories	400	-
Capital contributions	1,000	-
Total	<u>1,400</u>	<u>-</u>

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43. RELATED PARTY TRANSACTIONS

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

Notes	2023	2022
	HK\$'000	HK\$'000
Management fees paid to the ultimate holding company	150	145
Associates:		
Sales of products	43, (a), a	5,850
Purchases of products	43, (a), b	700
Joint ventures:		
Sales of products	43, (a), a	5,850
Commission income	43, (a), c	480
Fellow subsidiaries:		
Distribution charges paid to a fellow subsidiary	43, (a), d	25,579
Purchases of plant, vehicles, furniture and fixtures		1,890
Interest income from directors		200
Purchases of raw materials from a company of which a director of the Company is a controlling shareholder	43, (a), e	7,900
		2,400

Notes:

- The sales to the associates and the joint ventures were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period of up to six months is normally granted.
- The purchases from the associates were made according to the published prices and conditions offered by the associates to their major customers.
- The commission income arose from the sale of properties of a joint venture arranged by a subsidiary, which in return received a commission based on X% of the transaction value (2022: X%).
- The distribution charges were based on the direct costs incurred, plus margins ranging from X% to XX%, depending on the nature and location of the services performed. The charges are substantially in line with those offered by the fellow subsidiary to its major customers. There was no outstanding balance with this fellow subsidiary as at 31 December 2023 (2022: Nil).
- The purchases were made from XXX Limited, a company of which Mr. A is a controlling shareholder. The directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the supplier, except that interest was not charged on overdue balances. The balance owing to the supplier as at 31 December 2023 was HK\$XXX,XXX (2022: HK\$XXX,XXX).

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43. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

- During the year, a subsidiary used the warehouse facilities of a fellow subsidiary of the Company for a period of eight months free of charge, while its own facilities were being refurbished.
- During the year, the Group acquired a subsidiary, FFF Limited, from a fellow subsidiary of the Company's ultimate holding company at a consideration of HK\$X,XXX,XXX, based on an internal valuation of the business performed by the directors of the Company. Further details of the transaction are included in note 37 to

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

43. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

Notes	2024	2023
	HK\$'000	HK\$'000
Management fees paid to the ultimate holding company	150	145
Associates:		
Sales of products	a	5,850
Purchases of products	b	5,850
Joint ventures:		
Sales of products	a	5,850
Commission income	c	480
Fellow subsidiaries:		
Distribution charges paid to a fellow subsidiary	d	25,579
Purchases of plant, vehicles, furniture and fixtures		1,890
Interest income from directors		200
Purchases of raw materials from a company of which a director of the Company is a controlling shareholder	e	7,900
		2,400

Notes:

- The sales to the associates and the joint ventures were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period of up to six months is normally granted.
- The purchases from the associates were made according to the published prices and conditions offered by the associates to their major customers.
- The commission income arose from the sale of properties of a joint venture arranged by a subsidiary, which in return received a commission based on X% of the transaction value (2023: X%).
- The distribution charges were based on the direct costs incurred, plus margins ranging from X% to XX%, depending on the nature and location of the services performed. The charges are substantially in line with those offered by the fellow subsidiary to its major customers. There was no outstanding balance with this fellow subsidiary as at 31 December 2024 (2023: Nil).
- The purchases were made from XXX Limited, a company of which Mr. A is a controlling shareholder. The directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the supplier, except that interest was not charged on overdue balances. The balance owing to the supplier as at 31 December 2024 was HK\$XXX,XXX (2023: HK\$XXX,XXX).

TR EXAMPLE GROUP
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31 December 2024

43. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

- During the year, a subsidiary used the warehouse facilities of a fellow subsidiary of the Company for a period of eight months free of charge, while its own facilities were being refurbished.
- During the year, the Group acquired a subsidiary, FFF Limited, from a fellow subsidiary of the Company's ultimate holding company at a consideration of HK\$X,XXX,XXX, based on an internal valuation of the business performed by the directors of the Company. Further details of the transaction are included in note 37 to

- the consolidated financial statements.
- (iii) The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to HK\$XX,XXX,XXX (2022: HK\$XX,XXX,XXX) as at the end of the reporting period, disclosed in note 29(b) to the consolidated financial statements.
- (iv) The Group has guaranteed banking facilities granted to an associate amounting to HK\$XX,XXX,XXX (2022: HK\$X,XXX,XXX) as at the end of the reporting period, as further detailed in note 27(c) to the consolidated financial statements.
- (c) Commitments with related parties
- On 1 August 2023, a subsidiary of the Group entered into a two-year agreement ending 31 July 20XX with XXX Limited, a company of which Mr. A is a controlling shareholder, to purchase raw materials for the Group's future production. The amount of total purchases from XXX Limited for the year is included in note 43(a)(v) to the consolidated financial statements. The Group expects total purchases from XXX Limited in 20XX and 20XX to be approximately HK\$XX,XXX,XXX and HK\$XX,XXX,XXX, respectively.
- (d) Outstanding balances with related parties:
- (i) The Group had an outstanding balance due to its ultimate holding company of HK\$XX,XXX,XXX (2022: HK\$X,XXX,XXX) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.
- (ii) Details of the Group's loans to/from its associates as at the end of the reporting period are included in note 17 to the consolidated financial statements, and details of the Group's loans to its joint ventures are included in note 16 to the consolidated financial statements.
- (iii) Details of the Group's trade balances with its joint ventures and associates as at the end of the reporting period are disclosed in notes 20 and 26 to the consolidated financial statements.
- (iv) Details of the Group's loans to the Company's directors are included in note 23 to the consolidated financial statements.
- (e) Compensation of key management personnel of the Group:

	2023 HK\$'000	2022 HK\$'000
Short term employee benefits	6,534	9,542
Post-employment benefits	222	147
Equity-settled share option expense	350	80
Total compensation paid to key management personnel	7,106	9,769

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TR EXAMPLE GROUP
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43. RELATED PARTY TRANSACTIONS (continued)

- (e) Compensation of key management personnel of the Group: (continued)

Further details of directors' emoluments are included in note 7 to the consolidated financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

2023

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total HK\$'000
	Mandatorily designated as such HK\$'000	Equity investment HK\$'000	Financial assets at amortised cost HK\$'000	
Equity investments at fair value through other comprehensive income	-	15,568	-	15,568
Loans to joint ventures	-	-	500	500
Loans to associates	-	-	3,068	3,068
Trade receivables	-	-	100,388	100,388
Financial assets included in prepayments, other receivables and other assets	-	-	21,501	21,501
Financial assets at fair value through profit or loss	20,100	-	-	20,100
Derivative financial instruments	1,444	-	-	1,444
Pledged deposits	-	-	36,000	36,000
Cash and cash equivalents	-	-	73,053	73,053
	21,544	15,568	234,510	271,622

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial
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- the consolidated financial statements.
- (iii) The Company's ultimate holding company has guaranteed certain bank loans made to the Group of up to HK\$XX,XXX,XXX (2023: HK\$XX,XXX,XXX) as at the end of the reporting period, disclosed in note 29(b) to the consolidated financial statements.
- (iv) The Group has guaranteed banking facilities granted to an associate amounting to HK\$XX,XXX,XXX (2023: HK\$X,XXX,XXX) as at the end of the reporting period, as further detailed in note 27(c) to the consolidated financial statements.
- (c) Commitments with related parties
- On 1 August 2024, a subsidiary of the Group entered into a two-year agreement ending 31 July 20XX with XXX Limited, a company of which Mr. A is a controlling shareholder, to purchase raw materials for the Group's future production. The amount of total purchases from XXX Limited for the year is included in note 43(a)(v) to the consolidated financial statements. The Group expects total purchases from XXX Limited in 20XX and 20XX to be approximately HK\$XX,XXX,XXX and HK\$XX,XXX,XXX, respectively.
- (d) Outstanding balances with related parties:
- (i) The Group had an outstanding balance due to its ultimate holding company of HK\$XX,XXX,XXX (2023: HK\$X,XXX,XXX) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.
- (ii) Details of the Group's loans to/from its associates as at the end of the reporting period are included in note 17 to the consolidated financial statements, and details of the Group's loans to its joint ventures are included in note 16 to the consolidated financial statements.
- (iii) Details of the Group's trade balances with its joint ventures and associates as at the end of the reporting period are disclosed in notes 20 and 26 to the consolidated financial statements.
- (iv) Details of the Group's loans to the Company's directors are included in note 23 to the consolidated financial statements.
- (e) Compensation of key management personnel of the Group:

	2024 HK\$'000	2023 HK\$'000
Short term employee benefits	6,534	9,542
Post-employment benefits	222	147
Equity-settled share option expense	350	80
Total compensation paid to key management personnel	7,106	9,769

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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43. RELATED PARTY TRANSACTIONS (continued)

- (e) Compensation of key management personnel of the Group: (continued)

Further details of directors' emoluments are included in note 7 to the consolidated financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

2024

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total HK\$'000
	Mandatorily designated as such HK\$'000	Equity investment HK\$'000	Financial assets at amortised cost HK\$'000	
Equity investments at fair value through other comprehensive income	-	15,568	-	15,568
Loans to joint ventures	-	-	500	500
Loans to associates	-	-	3,068	3,068
Trade receivables	-	-	100,388	100,388
Financial assets included in prepayments, other receivables and other assets	-	-	21,501	21,501
Financial assets at fair value through profit or loss	20,100	-	-	20,100
Derivative financial instruments	1,444	-	-	1,444
Pledged deposits	-	-	36,000	36,000
Cash and cash equivalents	-	-	73,053	73,053
Total	21,544	15,568	234,510	271,622

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial
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		Held for trading	liabilities at amortised cost	Total
	Notes	HK\$'000	HK\$'000	HK\$'000
Loans from associates		-	500	500
Trade and bills payables		-	73,146	73,146
Financial liabilities included in other payables and accruals	27	-	4,932	4,932
Derivative financial instruments		947	-	947
Convertible bonds		-	26,429	26,429
Interest-bearing bank and other borrowings		-	212,026	212,026
Due to the ultimate holding company		-	27,656	27,656
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44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Notes	HK\$'000	HK\$'000	HK\$'000
Financial liabilities		947	344,689	345,636

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		Held for trading	liabilities at amortised cost	Total
	Notes	HK\$'000	HK\$'000	HK\$'000
Loans from associates		-	500	500
Trade and bills payables		-	73,146	73,146
Financial liabilities included in other payables and accruals	27	-	4,932	4,932
Derivative financial instruments		947	-	947
Convertible bonds		-	26,429	26,429
Interest-bearing bank and other borrowings		-	212,026	212,026
Due to the ultimate holding company		-	27,656	27,656
	145			

TR EXAMPLE GROUP
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44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Notes	HK\$'000	HK\$'000	HK\$'000
Financial liabilities		947	344,689	345,636
Total		947	344,689	345,636

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
STATEMENTS (continued)

31 December 2024

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2022

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total
	Mandatorily designated as such	Equity investment	Financial assets at amortised cost	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments at fair value through other comprehensive income	-	5,575	-	5,575
Loans to joint ventures	-	-	500	500
Loans to associates	-	-	1,688	1,688
Trade receivables	-	-	104,091	104,091
Financial assets included in prepayments, other receivables and other assets	-	-	20,396	20,396
Financial assets at fair value through profit or loss	5,000	-	-	5,000
Pledged deposits	-	-	25,500	25,500
Cash and cash equivalents	-	-	30,032	30,032
	<u>5,000</u>	<u>5,575</u>	<u>182,207</u>	<u>192,782</u>

Financial liabilities

	Notes	Financial liabilities at amortised cost	Total
		HK\$'000	HK\$'000
Loans from associates		500	500
Trade and bills payables		77,571	77,571
Financial liabilities included in other payables and accruals	27	5,690	5,690
Interest-bearing bank and other borrowings		265,963	265,963
Due to the ultimate holding company		3,992	3,992
		<u>353,716</u>	<u>353,716</u>

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Pledged deposits, non-current portion	25,500	25,500	24,300	24,100
Equity investments designated at fair value through other comprehensive income	15,568	5,575	15,568	5,575
Financial assets at fair value through profit or loss	20,100	5,000	20,100	5,000
Derivative financial instruments	1,444	-	1,444	-
	<u>62,612</u>	<u>36,075</u>	<u>61,412</u>	<u>34,675</u>
Financial liabilities				
Derivative financial instruments	947	-	947	-
Interest-bearing bank borrowings	161,534	172,423	162,898	172,091
Other borrowings (other than lease liabilities)	15,906	61,507	16,409	59,915
Convertible bonds	26,429	-	25,735	-
	<u>204,816</u>	<u>233,930</u>	<u>205,989</u>	<u>232,006</u>

The following table provides the fair value measurement hierarchy of the Company's financial instruments as at 31 December 2023 and 2022:

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2023

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total
	Mandatorily designated as such	Equity investment	Financial assets at amortised cost	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments at fair value through other comprehensive income	-	5,575	-	5,575
Loans to joint ventures	-	-	500	500
Loans to associates	-	-	1,688	1,688
Trade receivables	-	-	104,091	104,091
Financial assets included in prepayments, other receivables and other assets	-	-	20,396	20,396
Financial assets at fair value through profit or loss	5,000	-	-	5,000
Pledged deposits	-	-	25,500	25,500
Cash and cash equivalents	-	-	30,032	30,032
	<u>5,000</u>	<u>5,575</u>	<u>182,207</u>	<u>192,782</u>

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
		HK\$'000	HK\$'000	HK\$'000
Loans from associates		-	500	500
Trade and bills payables		-	77,571	77,571
Financial liabilities included in other payables and accruals	27	-	5,690	5,690
Interest-bearing bank and other borrowings		-	265,963	265,963
Due to the ultimate holding company		-	3,992	3,992
		<u>-</u>	<u>353,716</u>	<u>353,716</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Pledged deposits, non-current portion	25,500	25,500	24,300	24,100
Equity investments designated at fair value through other comprehensive income	15,568	5,575	15,568	5,575
Financial assets at fair value through profit or loss	20,100	5,000	20,100	5,000
Derivative financial instruments	1,444	-	1,444	-
	<u>62,612</u>	<u>36,075</u>	<u>61,412</u>	<u>34,675</u>
Financial liabilities				
Derivative financial instruments	947	-	947	-
Interest-bearing bank borrowings	161,534	172,423	162,898	172,091
Other borrowings (other than lease liabilities)	15,906	61,507	16,409	59,915
Convertible bonds	26,429	-	25,735	-
	<u>204,816</u>	<u>233,930</u>	<u>205,989</u>	<u>232,006</u>

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in

instruments as at 31 December 2023 and 2024.

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, loans to joint ventures and associates, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, an amount due to the ultimate holding company, loans from associates and guarantees given to banks in connection with facilities granted to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value of approximately HK\$XXX,XXX, using less favourable assumptions, and an increase in fair value of approximately HK\$XXX,XXX, using more favourable assumptions.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, foreign currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps are the same as their fair values.

As at 31 December 2023, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, loans to joint ventures and associates, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, an amount due to the ultimate holding company, loans from associates and guarantees given to banks in connection with facilities granted to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2024 were assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, foreign currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps are the same as their fair values.

As at 31 December 2024, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBITDA multiple of peers	2023: x.x% to x.x% (2022: x.x% to x.x%)	x% (2022: x%) increase (decrease) in growth rate would result in an increase (decrease) in fair value by HK\$xxx xxx (2022: HK\$xxx xxx)
		Discount for lack of marketability	2023: x.x% to x.x% (2022: x.x% to xx%)	x% (2022: x%) increase (decrease) in discount would result in decrease (increase) in fair value by HK\$xx,xxx (2022: HK\$xx,xxx)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments designate at fair value through other comprehensive income	9,993	-	5,575	15,568
Financial assets at fair value through profit or loss	19,500	600	-	20,100
Derivative financial instruments	-	1,444	-	1,444

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2024 and 2023:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBITDA multiple of peers	x.x% to x.x% (2023: x.x% to x.x%)	x% (2023: x%) increase (decrease) in growth rate would result in an increase (decrease) in fair value by HK\$xxx xxx (2023: HK\$xxx xxx)
		Discount for lack of marketability	x.x% to x.x% (2023: x.x% to xx%)	x% (2023: x%) increase (decrease) in discount would result in decrease (increase) in fair value by HK\$xx,xxx (2023: HK\$xx,xxx)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments designate at fair value through other comprehensive income	9,993	-	5,575	15,568
Financial assets at fair value through profit or loss	19,500	600	-	20,100
Derivative financial instruments	-	1,444	-	1,444

	29,493	2,044	5,575	37,112
As at 31 December 2022				
Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments designate at fair value through other comprehensive income	-	-	5,575	5,575
Financial assets at fair value through profit or loss	4,500	500	-	5,000
	4,500	500	5,575	10,575

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

	2023	2022
	HK\$'000	HK\$'000
Equity investments at fair value through other comprehensive income At 1 January and 31 December	5,575	5,575

Assets for which fair values are disclosed:

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Total	29,493	2,044	5,575	37,112
As at 31 December 2023				
Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments designate at fair value through other comprehensive income	-	-	5,575	5,575
Financial assets at fair value through profit or loss	4,500	500	-	5,000
Total	4,500	500	5,575	10,575

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

	2024	2023
	HK\$'000	HK\$'000
Equity investments at fair value through other comprehensive income At 1 January and 31 December	5,575	5,575

Assets for which fair values are disclosed:

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2023						
Fair value measurement using						
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Carrying amount HK\$'000	Fair value HK\$'000	Total HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pledged deposits, non-current portion	-	24,300	-	-	-	24,300
As at 31 December 2022					Fair value measurement using	Total
					Significant observable inputs (Level 2)	HK\$'000
					HK\$'000	HK\$'000
Pledged deposits, non-current portion					24,100	24,100

Liabilities for which fair values are disclosed:

As at 31 December 2023				
Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank borrowings	-	162,898	-	162,898
Other borrowings (other than lease liabilities)	-	16,409	-	16,409
Convertible bonds	-	-	25,735	25,735
	-	179,307	25,735	205,042

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2023						
Fair value measurement using						
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Carrying amount HK\$'000	Fair value HK\$'000	Total HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pledged deposits, non-current portion	-	24,100	-	-	-	24,100
Liabilities for which fair values are disclosed:						
As at 31 December 2024						
Fair value measurement using						
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)			Total
	HK\$'000	HK\$'000	HK\$'000			HK\$'000
Interest-bearing bank borrowings	-	162,898	-			162,898
Other borrowings (other than lease liabilities)	-	16,409	-			16,409
Convertible bonds	-	-	25,735			25,735
Total	-	179,307	25,735			205,042

As at 31 December 2023				
Fair value measurement using				
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		Total
	HK\$'000	HK\$'000		HK\$'000
Interest-bearing bank borrowings	172,091	-		172,091
Other borrowings (other than lease liabilities)	59,915	-		59,915
Total	232,006	-		232,006

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2022

Fair value measurement using

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank borrowings	-	172,091	-	172,091
Other borrowings (other than lease liabilities)	-	59,915	-	59,915
Convertible bonds	-	-	-	-
	-	232,006	-	232,006

TR EXAMPLE GROUP
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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, convertible bonds, finance leases, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, convertible bonds, finance leases, other interest-bearing loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain between XX% and XX% of its interest-bearing borrowings at fixed interest rates. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2023, after taking into account the effect of the interest rate swaps, approximately XX% (2022: XX%) of the Group's interest-bearing borrowings bore interest at fixed rates.

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

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax HK\$'000	Increase/(decrease) in equity* HK\$'000
--	--	---	---

2023

Hong Kong dollar
United States dollar

5
5

863
(89)

795
(75)

Hong Kong dollar
United States dollar

(5)
(5)

(863)
89

(795)
75

Hong Kong dollar
United States dollar

5
5

650
(55)

591
(43)

Hong Kong dollar
United States dollar

(5)
(5)

(650)
55

(591)
43

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain between XX% and XX% of its interest-bearing borrowings at fixed interest rates. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2024, after taking into account the effect of the interest rate swaps, approximately XX% (2023: XX%) of the Group's interest-bearing borrowings bore interest at fixed rates.

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

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax HK\$'000	Increase/(decrease) in equity* HK\$'000
--	--	---	---

2024

Hong Kong dollar
United States dollar

5
5

863
(89)

795
(75)

Hong Kong dollar
United States dollar

(5)
(5)

(863)
89

(795)
75

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax HK\$'000	Increase/(decrease) in equity* HK\$'000
--	--	---	---

2023

Hong Kong dollar
United States dollar

5
5

650
(55)

591
(43)

Hong Kong dollar
United States dollar

(5)
(5)

(650)
55

(591)
43

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately XX% (2022: XX%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately XX% (2022: XX%) of costs were denominated in the units' functional currencies. The Group requires all its operating units to use forward currency contracts to eliminate the foreign currency exposures on any individual transactions in excess of HK\$XXX,XXX, for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

At 31 December 2023, the Group had hedged XX% (2022: XX%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

In addition, the Group has currency exposures from its interest-bearing bank borrowings. The Group has used a foreign currency swap contract to reduce the exposure to RMB arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs
As at 31 December 2023	Stage 1	Stage 2 Stage 3 Simplified approach

TR EXAMPLE GROUP
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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

* Excluding retained profits

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately XX% (2023: XX%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately XX% (2023: XX%) of costs were denominated in the units' functional currencies. The Group requires all its operating units to use forward currency contracts to eliminate the foreign currency exposures on any individual transactions in excess of HK\$XXX,XXX, for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

At 31 December 2024, the Group had hedged XX% (2023: XX%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

In addition, the Group has currency exposures from its interest-bearing bank borrowings. The Group has used a foreign currency swap contract to reduce the exposure to RMB arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Total HK\$'000
Loans to joint ventures	500	-	-	-	500
Loans to associates	3,068	-	-	-	3,068
Contract assets*	-	-	-	29,375	29,375
Trade receivables*	-	-	-	100,774	100,774
Financial assets included in prepayments, other receivables and other assets					
- Normal**	21,501	-	-	-	21,501

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2023	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Pledged deposits					
- Not yet past due	36,000	-	-	-	36,000
Cash and cash equivalents					
- Not yet past due	73,053	-	-	-	73,053
Guarantees given to banks in connection with facilities granted to an associate					
- Facilities not yet drawn by an associate	5,824	-	-	-	5,824
- Facilities drawn by an associate					
- Not yet past due	35,000	-	-	-	35,000
	<u>174,946</u>	<u>-</u>	<u>-</u>	<u>130,149</u>	<u>305,095</u>

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As at 31 December 2024	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Loans to joint ventures	500	-	-	-	500
Loans to associates	3,068	-	-	-	3,068
Contract assets*	-	-	-	29,375	29,375
Trade receivables*	-	-	-	100,774	100,774

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TR EXAMPLE GROUP
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31 December 2024

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2024	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial assets included in prepayments, other receivables and other assets					
- Normal**	21,501	-	-	-	21,501
Pledged deposits					
- Not yet past due	36,000	-	-	-	36,000
Cash and cash equivalents					
- Not yet past due	73,053	-	-	-	73,053
Guarantees given to banks in connection with facilities granted to an associate					
- Facilities not yet drawn by an associate	5,824	-	-	-	5,824
- Facilities drawn by an associate					
- Not yet past due	35,000	-	-	-	35,000
Total	<u>174,946</u>	<u>-</u>	<u>-</u>	<u>130,149</u>	<u>305,095</u>

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022	12-month		Lifetime ECLs			Total HK\$'000
	ECLs					
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000		
Loans to joint ventures	500	-	-	-	-	500
Loans to associates	1,688	-	-	-	-	1,688
Contract assets*	-	-	-	27,891	-	27,891
Trade receivables*	-	-	-	104,481	-	104,481
Financial assets included in prepayments, other receivables and other assets - Normal**	20,396	-	-	-	-	20,396
Pledged deposits - Not yet past due	25,500	-	-	-	-	25,500
Cash and cash equivalents - Not yet past due	30,032	-	-	-	-	30,032
Guarantees given to banks in connection with facilities granted to an associate	-	-	-	-	-	-
- Facilities not yet drawn by an associate	2,473	-	-	-	-	2,473
	80,589	-	-	132,372	-	212,961

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 22 to the consolidated financial statements, respectively.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the consolidated financial statements.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, lease liabilities (2022: finance leases) and other interest-bearing loans. The Group's policy is that not more than XX% of borrowings should mature in any 12-month period. XX% of the Group's debts would mature in less than one year as at 31 December 2023 (2022: XX%) based on the carrying value of borrowings reflected in the consolidated financial statements.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Group	2023					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Convertible bonds	-	-	2,100	42,300	-	44,400
Lease liabilities	-	4,330	12,574	25,798	-	42,702
Interest-bearing bank and other borrowings (excluding lease liabilities)	2,102	5,361	125,791	71,880	2,315	207,449
Trade and bills payables	-	68,273	4,873	-	-	73,146
Other payables	-	4,932	-	-	-	4,932
Due to the ultimate holding company	27,656	-	-	-	-	27,656
Loans from associates	500	-	-	-	-	500
Derivative financial instruments	-	947	-	-	-	947
Guarantees given to banks in connection with facilities granted to an associate	35,000	-	-	-	-	35,000
	<u>65,258</u>	<u>83,843</u>	<u>145,338</u>	<u>139,978</u>	<u>2,315</u>	<u>436,732</u>

Group	2022					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2023	12-month		Lifetime ECLs			Total HK\$'000
	ECLs			Simplified approach		
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000		
Loans to joint ventures	500	-	-	-	-	500
Loans to associates	1,688	-	-	-	-	1,688
Contract assets*	-	-	-	27,891	-	27,891
Trade receivables*	-	-	-	104,481	-	104,481
Financial assets included in prepayments, other receivables and other assets - Normal**	20,396	-	-	-	-	20,396
Pledged deposits - Not yet past due	25,500	-	-	-	-	25,500
Cash and cash equivalents - Not yet past due	30,032	-	-	-	-	30,032
Guarantees given to banks in connection with facilities granted to an associate - Facilities not yet drawn by an associate	2,473	-	-	-	-	2,473
Total	80,589	-	-	132,372	-	212,961

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 22 to the consolidated financial statements, respectively.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the consolidated financial statements.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, lease liabilities (2023: finance leases) and other interest-bearing loans. The Group's policy is that not more than XX% of borrowings should mature in any 12-month period. XX% of the Group's debts would mature in less than one year as at 31 December 2024 (2023: XX%) based on the carrying value of borrowings reflected in the consolidated financial statements.

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
STATEMENTS (continued)

31 December 2024

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

A substantial portion of the Group's trade payables are included in the Group's supplier finance arrangement and are, thus, with a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with several counterparties. However, the Group's payment terms for trade payables covered by the arrangement are identical to the payment terms for other trade payables. Management does not consider the supplier finance arrangement to result in excessive concentrations of liquidity risk, and the arrangement has been established to ease the administrative burden of managing invoices from a significant number of suppliers, rather than to obtain financing. Please refer to Note 26 for further disclosures about the arrangement.

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

Group	2024					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Convertible bonds	-	-	2,100	42,300	-	44,400
Lease liabilities	-	4,330	12,574	25,798	-	42,702
Interest-bearing bank and other borrowings (excluding lease liabilities)	2,102	5,361	125,791	71,880	2,315	207,449
Trade and bills payables	-	68,273	4,873	-	-	73,146
Other payables	-	4,932	-	-	-	4,932
Due to the ultimate holding company	27,656	-	-	-	-	27,656
Loans from associates	500	-	-	-	-	500

	On demand HK\$'000	Less than 3 months HK\$'000	12 months HK\$'000	1 to 3 years HK\$'000	Over 3 years HK\$'000	Total HK\$'000
		HK\$'000	HK\$'000	HK\$'000		
Lease liabilities	-	4,010	11,646	23,894	-	39,550
Interest-bearing bank and other borrowings (excluding lease liabilities)	22,604	13,718	148,466	83,258	-	268,046
Trade and bills payables	-	73,282	4,289	-	-	77,571
Other payables	-	5,690	-	-	-	5,690
Due to the ultimate holding company	3,992	-	-	-	-	3,992
Loans from associates	500	-	-	-	-	500
	27,096	96,700	164,401	107,152	-	395,349
Capital management						
The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.						

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Derivative financial instruments	-	947	-	-	-	947
Guarantees given to banks in connection with facilities granted to an associate	35,000	-	-	-	-	35,000
Total	65,258	83,843	145,338	139,978	2,315	436,732
Group						
2023						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lease liabilities	-	4,010	11,646	23,894	-	39,550
Interest-bearing bank and other borrowings (excluding lease liabilities)	22,604	13,718	148,466	83,258	-	268,046
Trade and bills payables	-	73,282	4,289	-	-	77,571
Other payables	-	5,690	-	-	-	5,690
Due to the ultimate holding company	3,992	-	-	-	-	3,992
Loans from associates	500	-	-	-	-	500

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TR EXAMPLE GROUP						
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)						
31 December 2024						
46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)						
<i>Liquidity risk (continued)</i>						
Group						
2023						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		HK\$'000		HK\$'000		
Total	27,096	96,700	164,401	107,152	-	395,349

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between XX% and XX%. Net debt includes interest-bearing bank and other borrowings (other than convertible bonds), an amount due to the ultimate holding company, loans from associates, trade and, bills payables, and certain other payables and accruals, less cash and cash equivalents, and excludes the discontinued operation. Capital includes convertible bonds and equity attributable to owners of the parent, less hedging reserve. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	2023	2022
		HK\$'000	HK\$'000
Interest-bearing bank and other borrowings	29	212,026	265,963
Trade and bills payables	27	73,146	77,571
Other payables and accruals		7,527	9,379
Loans from associates	17	500	500
Due to the ultimate holding company		27,656	3,992
Less: Cash and cash equivalents		(73,053)	(30,032)
Net debt		247,802	327,373
Convertible bonds, the liability component		26,429	-
Equity attributable to owners of the parent		376,837	274,447
Less: Cash flow hedge reserve		(351)	-
Adjusted capital		402,915	274,447
Capital and net debt		650,717	601,820
Gearing ratio		38%	54%

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31 December 2023

47. EVENTS AFTER THE REPORTING PERIOD

- (a) On XX XXXX 20XX, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain of its land and buildings situated in Hong Kong for a cash consideration of HK\$X,XXX,XXX. This transaction is scheduled to be completed on XX XXXX 20XX and is expected to result in a gain on disposal before tax of approximately HK\$X,XXX,XXX.
- (b) On XX XXXXXX 20XX, the Group entered into a sale and purchase agreement to dispose of its entire interest in III Corporation, an associate as at 31 December 2023, to an independent third party for a total consideration of HK\$X,XXX,XXX. The gain on disposal before tax is expected to be approximately HK\$X,XXX,XXX.
- (c) On XX XXXXX 20XX, XX,XXX,XXX share options were granted to certain directors of the Company, as further detailed in note 34 to the consolidated financial statements.
- (d) On X XXXXX 20XX, the Group acquired a XX% interest in SSS Limited, which is engaged in the manufacture of industrial products. The Group has acquired SSS Limited to further expand its market share of industrial products in the European Union. The purchase consideration of HK\$X,XXX,XXX for the acquisition was in the form of cash and was paid on the acquisition date. The Group plans to measure the non-controlling interest in SSS Limited at fair value.

Because the acquisition of SSS Limited was effected shortly before the date of approval of these

31 December 2024

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between XX% and XX%. Net debt includes interest-bearing bank and other borrowings (other than convertible bonds), an amount due to the ultimate holding company, loans from associates, trade and, bills payables, and certain other payables and accruals, less cash and cash equivalents, and excludes the discontinued operation. Capital includes convertible bonds and equity attributable to owners of the parent, less hedging reserve. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	2024	2023
		HK\$'000	HK\$'000
Interest-bearing bank and other borrowings	29	212,026	265,963
Trade and bills payables		73,146	77,571
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Net debt		247,802	327,373
Convertible bonds, the liability component		26,429	-
Equity attributable to owners of the parent		376,837	274,447
Less: Cash flow hedge reserve		(351)	-
Adjusted capital		402,915	274,447
Capital and net debt		650,717	601,820
Gearing ratio		38%	54%

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31 December 2024

47. EVENTS AFTER THE REPORTING PERIOD

- (a) On XX XXXX 20XX, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain of its land and buildings situated in Hong Kong for a cash consideration of HK\$X,XXX,XXX. This transaction is scheduled to be completed on XX XXXX 20XX and is expected to result in a gain on disposal before tax of approximately HK\$X,XXX,XXX.
- (b) On XX XXXXXX 20XX, the Group entered into a sale and purchase agreement to dispose of its entire interest in III Corporation, an associate as at 31 December 2024, to an independent third party for a total consideration of HK\$X,XXX,XXX. The gain on disposal before tax is expected to be approximately HK\$X,XXX,XXX.
- (c) On XX XXXXX 20XX, XX,XXX,XXX share options were granted to certain directors of the Company, as further detailed in note 34 to the consolidated financial statements.
- (d) On X XXXXX 20XX, the Group acquired a XX% interest in SSS Limited, which is engaged in the manufacture of industrial products. The Group has acquired SSS Limited to further expand its market share of industrial products in the European Union. The purchase consideration of HK\$X,XXX,XXX for the acquisition was in the form of cash and was paid on the acquisition date. The Group plans to measure the non-controlling interest in SSS Limited at fair value.

Because the acquisition of SSS Limited was effected shortly before the date of approval of these

consolidated financial statements, it is not practicable to disclose further details about the acquisition.

48. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 9).

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
STATEMENTS

31 December 2023

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023	2022
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	29,994	40,045
Investments in subsidiaries	376,347	369,972
Investments in joint ventures	400	400
Investments in associates	500	500
Equity investments at fair value through other comprehensive income	780	-
Total non-current assets	408,021	410,917
CURRENT ASSETS		
Due from subsidiaries	85,244	54,104
Prepayments, deposits and other receivables	15,081	29,017
Cash and cash equivalents	42,782	3,446
Total current assets	143,107	86,567
CURRENT LIABILITIES		
Due to subsidiaries	27,912	34,375
Other payables and accruals	35,921	9,316
Interest-bearing bank and other borrowings	94,399	133,316
Total current liabilities	158,232	177,007
NET CURRENT LIABILITIES	(15,125)	(90,440)
TOTAL ASSETS LESS CURRENT LIABILITIES	392,896	320,477
NON-CURRENT LIABILITIES		
Convertible bonds	26,429	-
Interest-bearing bank and other borrowings	23,934	63,589
Total non-current liabilities	50,363	63,589
Net assets	342,533	256,888
EQUITY		
Share capital	280,187	199,437
Equity component of convertible bonds	3,852	-
Other reserves	58,494	57,451
Total equity	342,533	256,888

(For companies incorporated in Hong Kong)

consolidated financial statements, it is not practicable to disclose further details about the acquisition.

48. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 9).

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TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2024	2023
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	29,994	40,045
Investments in subsidiaries	376,347	369,972
Investments in joint ventures	400	400
Investments in associates	500	500
Equity investments at fair value through other comprehensive income	780	-
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Convertible bonds	26,429	-
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Net assets	342,533	256,888
EQUITY		
Share capital	280,187	199,437
Equity component of convertible bonds	3,852	-
Other reserves	58,494	57,451
Total equity	342,533	256,888

(For companies incorporated in Hong Kong)

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2023

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

Mr. A
Title 1
(*Insert the name as appropriate)

12 March 2024

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2023

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

Note:

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

Equity component of convertible bonds	Fair value reserve of financial assets at fair value through	Share option reserve	Retained profits	Total
EUR000	EUR000	EUR000	EUR000	EUR000

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2024

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

Mr. A
Title 1
(*Insert the name as appropriate)

12 March 2024

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
STATEMENTS (continued)

31 December 2024

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

Note:

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

Equity component of convertible bonds	Fair value reserve of financial assets at fair value through	Share option reserve	Retained profits	Total
EUR000	EUR000	EUR000	EUR000	EUR000

	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2022	-	-	1,820	54,431	56,251				Balance at 1 January 2023	-	-	1,820	54,431	56,251
Total comprehensive income for the year	-	-	-	785	785				Total comprehensive income for the year	-	-	-	785	785
Equity-settled share option arrangements	-	-	415	-	415				Equity-settled share option arrangements	-	-	415	-	415
At 31 December 2022	-	-	2,235	55,216	57,451				At 31 December 2023	-	-	2,235	55,216	57,451
Balance at 1 January 2023	-	2,235	55,216	57,451					Balance at 1 January 2024	-	2,235	55,216	57,451	
Final 20XX dividend declared	-	-	(4,150)	(4,150)					Final 20XX dividend declared	-	-	(4,150)	(4,150)	
Total comprehensive income for the year	-	-	11,709	11,709					Total comprehensive income for the year	-	-	11,709	11,709	
Issue of shares	-	(1,382)	-	(1,382)					Issue of shares	-	(1,382)	-	(1,382)	
Issue of convertible bonds	3,852	-	-	3,852					Issue of convertible bonds	3,852	-	-	3,852	
Equity-settled share option arrangements	-	1,090	-	1,090					Equity-settled share option arrangements	-	1,090	-	1,090	
Transfer of share option reserve upon the forfeiture or expiry of share options	-	(73)	73	-					Transfer of share option reserve upon the forfeiture or expiry of share options	-	(73)	73	-	
Interim 20XX dividend	-	-	(6,224)	(6,224)					Interim 20XX dividend	-	-	(6,224)	(6,224)	
At 31 December 2023	3,852	1,870	56,624	62,346					At 31 December 2024	3,852	1,870	56,624	62,346	
The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the consolidated financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.										The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the consolidated financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.				
50. APPROVAL OF THE FINANCIAL STATEMENTS										50. APPROVAL OF THE FINANCIAL STATEMENTS				
The consolidated financial statements were approved and authorised for issue by the board of directors on XX XXXX 20XX.										The consolidated financial statements were approved and authorised for issue by the board of directors on XX XXXX 20XX.				
164										163				

TR EXAMPLE GROUP
CONSOLIDATED NOTES TO THE FINANCIAL
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31 December 2023

50. APPROVAL OF THE FINANCIAL STATEMENTS (continued)

- (a)
 -
 - (3)
 - (iv)
 - (e)
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 - (7)
 - (viii)
 - (i)
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 - (11)
 - (xii)
 -
 - <Insert text here>
- 13. GRH Level 1 Header
- (14) GRH Level 3 Header
- 15 GRH Level 2 Header
- 16. NFS Level 1 Header
- 17 NFS Level 2 Header
- (18) NFS Level 3 Header

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