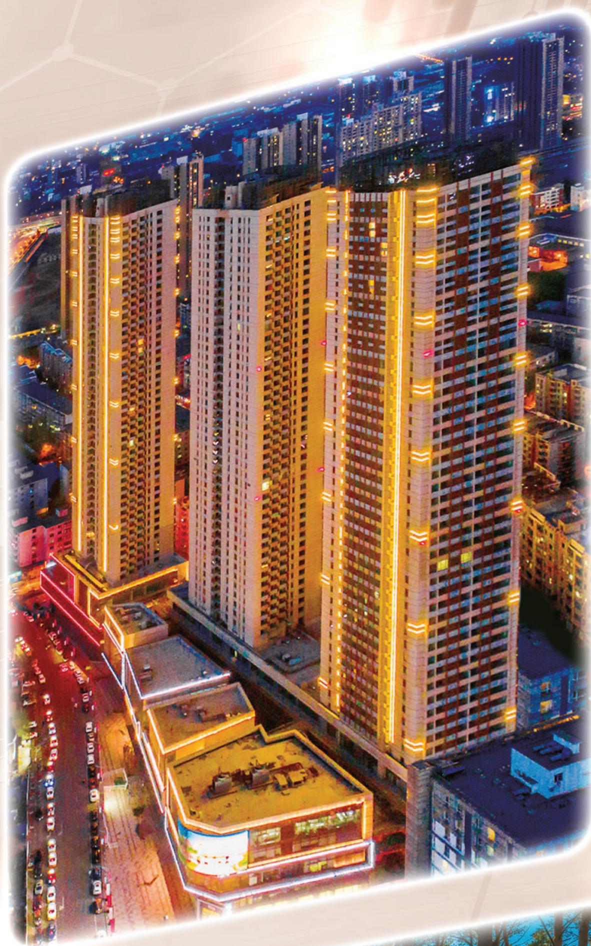
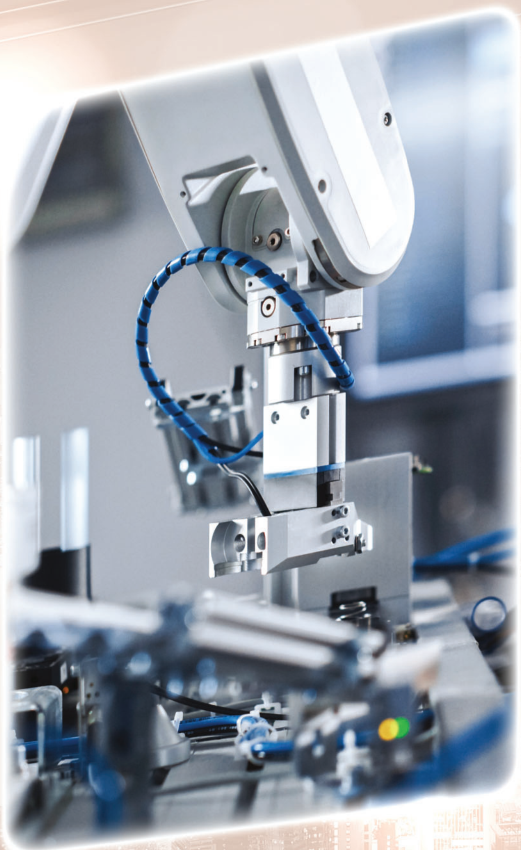
South China Holdings Company Limited
南華集團控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code : 00413

ANNUAL REPORT
2023





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
(*Vice Chairman and Co-Chief Executive Officer*)
Mr. Ng Yuk Yeung Paul
(*Executive Vice Chairman and Co-Chief Executive Officer*)

Non-executive Directors

Ms. Ng Yuk Mui Jessica
Mr. Ng Yuk Fung Peter
Ms. Li Yuen Yu Alice
Mr. Yu Pui Hang

Independent Non-executive Directors

Mrs. Tse Wong Siu Yin Elizabeth
Mr. Kam Yiu Shing Tony
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Wong Chun Tat, J.P.

AUDIT COMMITTEE

Mr. Kam Yiu Shing Tony (*Committee Chairman*)
Mrs. Tse Wong Siu Yin Elizabeth
Ms. Li Yuen Yu Alice
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Wong Chun Tat, J.P.

REMUNERATION AND NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(*Committee Chairman*)
Mr. Kam Yiu Shing Tony
Ms. Li Yuen Yu Alice
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Wong Chun Tat, J.P.

COMPANY SECRETARY

Mr. Watt Ka Po James

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

P. O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33rd Floor
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

00413

WEBSITE

http://www.scholding.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Year").

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded its total revenue of HK$2,887 million for the Year, representing an approximately 24% decrease compared with 2022 (2022: HK$3,814 million) and the loss after tax of HK$42 million for the Year compared with the profit after tax of HK$66 million in 2022. The loss during the Year was mainly attributable to (i) decrease in purchase orders of toys products received from the major customers; (ii) increase in finance costs mainly due to increase in the Hong Kong Interbank Offered Rate; and (iii) decrease in gain on disposals of debentures of berths. The impacts of above overweighed the increase in gain on disposals of subsidiaries recognised during the Year. Despite the loss was recorded during the Year, the overall financial, business and trading positions of the Group remain healthy.

Basic loss per share attributable to equity shareholders of the Company for the Year was HK0.2 cents (2022: earnings per share: HK0.6 cents).

DIVIDENDS

The Company had not declared or paid any dividend during the Year (2022: Nil) and the Board did not recommend the payment of a final dividend for the Year (2022: Nil).

BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture and forestry.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises (i) OEM production of toy products; (ii) trading of footwear products; and (iii) sales of branded ball products. This segment recorded an approximately 25% decrease in revenue to HK$2,644 million (2022: HK$3,540 million) and an approximately 21% decrease in the operating profit to HK$185.4 million for the Year (2022: HK$236.0 million).

(i) *OEM toys production*

The OEM toys operation generated revenue of HK$2,450 million for the Year (2022: HK$3,246 million), representing an approximately 25% decrease compared with 2022.

During the Year, this segment recorded a significant decrease in revenue because the key customers in the United States of America ("USA") stringently placed purchase orders given the overall demand for toys products was adversely impacted by the persistently high inflation environment which unleashed an erosion of income and consumer savings and in turn weakened consumption power of the consumers. On the other hand, high interest rate and geopolitical tensions drove up the costs of production and logistics. Therefore, the Group inevitably experienced a significant decline in revenue in toys business during the Year.

Despite the inevitable downturn in revenue in toys operation during the Year, the Group continued to strive to lower down its costs by vigilantly monitoring the supply of raw materials and speeding up shifting of its production capacities from higher cost areas in Guangdong province to lower cost areas in Guangxi province of Mainland China and by engaging sub-contractors in production of non-core parts of the toys products.

(ii) *Trading of footwear products*

Despite revenue from this segment substantially decreased to HK$176 million (2022: HK$274 million) during the Year, representing a drop of approximately 36%, the operating profit of this segment was HK$7.6 million (2022: HK$6.6 million), representing an increase of approximately 15%. The main reason for achieving a growth in operating profit was the achievement of significant cost reduction resulting from effective diversification of production in such low-cost countries as Cambodia and Bangladesh, which outweighed the drop in revenue due to downturn in demand.

(iii) *Sales of branded ball products*

During the Year, revenue from sales of the branded ball products in the local market of Mainland China slightly decreased by approximately 6% to HK$14.6 million (2022: HK$15.5 million) merely due to the effect of Renminbi ("RMB") depreciation. The overall performance of this segment remained stable.

Property Investment and Development

Revenue from the property investment and development segment decreased by approximately 12% to HK$241 million during the Year (2022: HK$274 million). The operating profit, including a fair value change on investment properties, was HK$52.1 million for the Year (2022: HK$102.6 million). This segment generated an operating profit, excluding the fair value changes on investment properties, of HK$87.6 million (2022: HK$156.8 million), representing an approximately 44% decrease compared with 2022.

The Group has a property investment portfolio with total gross floor area ("GFA") of approximately 614,000 sq.m. in Mainland China and approximately 26,000 sq.m. (approximately 280,000 sq.ft.) in Hong Kong. The investment properties for lease in Mainland China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

Despite the lifting of zero-COVID policy by the central government in late 2022, the rental income under the Group's leasing portfolio in Nanjing, Shenyang and Tianjin during the Year was continuously affected by the lower rental rates offered to tenants earlier in previous years. The Group's rental income generated from its properties in Hong Kong was facing similar condition during the Year. As the overall economies of Mainland China and Hong Kong had yet fully recovered from the turmoil of the pandemic, the speed of recovery of rental rates and occupancy in retail and commercial property market was much slower than expected during the Year. On the other hand, depreciation of RMB led an adverse impact on the rental income in Mainland China resulting from currency exchange. The rental income generated from this segment during the Year was HK$173.0 million (2022: HK$187.2 million), representing a decrease of approximately 8% compared with 2022.

Comparing with the leasing market, property market suffered from a much deeper hit from the COVID-19 restrictions in the past three years. After the lifting of zero-COVID policy in Mainland China, investors remained cautious and most of the potential buyers continued taking a very prudent approach by delaying their decision of investment due to market uncertainty. In addition, the collapse of some giant property developers in Mainland China adversely affected the retail market of property to a certain extent.

Approximately 65% of the total saleable areas of residential towers and serviced apartment of the Group's flagship property project namely "Central Square" were sold as at the Year. Given Central Square is located in a prime residential area in Shenyang, the management is cautiously optimistic on its sales and rental contributions in 2024 and onwards, in particular, the recent policies launched by the central government for building up the confidence in property market in Mainland China.

Agriculture and Forestry

During the Year, revenue of this segment increased to HK$2.2 million (2022: HK$0.7 million). There was an operating profit of HK$62.0 million during the Year, including a gain on disposal of subsidiaries amounting to HK$78.2 million recognised during the Year. By excluding the disposal gain, the operating loss of this segment for the Year decreased by approximately 6% to HK$16.2 million (2022: HK$17.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had a current ratio of 0.96 and a gearing ratio of 27% (31 December 2022: 1.15 and 35%, respectively). The gearing ratio is computed by dividing the Group's total long-term bank borrowings of HK$1,688 million by the Group's equity of HK$6,290 million. The Group's operation and investments continued to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to RMB and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group manages foreign exchange risk by closely monitoring the movements of the foreign currency rates and entering into forward contracts whenever appropriate.

CAPITAL STRUCTURE

During the Year, there was no material change in the Group's capital structure.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

1. On 13 September 2022, Thousand China Investments Limited ("Thousand China"), an indirect wholly-owned subsidiary of the Company, as vendor and Power Path Global Limited ("Power Path"), a wholly-owned subsidiary of South China Financial Holdings Limited ("SCFH"), as purchaser, entered into a sale and purchase agreement, pursuant to which Thousand China conditionally agreed to dispose of 100% equity interest in Genius Year Limited ("Genius Year"), an indirect wholly-owned subsidiary of the Company, to Power Path; and Power Path conditionally agreed to purchase 100% equity interest in Genius Year, at a total consideration of HK$89,840,000 which was settled by way of convertible bonds issued by SCFH upon completion, in accordance with the terms and subject to the conditions set out in the sale and purchase agreement. This transaction was approved by independent shareholders at the extraordinary general meeting held on 11 January 2023 and completed on 13 January 2023. The gain resulted from the disposal of subsidiaries was approximately HK$78,197,000, which have been recognised to the consolidated statement of profit or loss during the Year. Details of the disposal were set out in the Company's announcements dated 13 September 2022, 28 September 2022, 31 October 2022 and 25 November 2022 and circular dated 16 December 2022.

2. On 30 June 2023, Wilken Footwear Limited ("Wilken Footwear"), an indirect wholly-owned subsidiary of the Company, as vendor and the Company as a vendor guarantor entered into a sale and purchase agreement with 昆山濱湖新城產業科創發展有限公司 (the "Purchaser"), an independent third party, pursuant to which the Purchaser has agreed to acquire, and Wilken Footwear has agreed to sell 100% equity interest in 昆山滙強鞋業有限公司 (Kunshan Wilken Footwear Company Limited), an indirect wholly-owned subsidiary of the Company, at the consideration of RMB61,500,000 (equivalent to approximately HK$68,333,000). The transaction was completed on 11 September 2023 and a gain on disposal of approximately HK$27,216,000 have been recognised to the consolidated statement of profit or loss during the Year. Details of the disposal were set out in the Company's announcement dated 30 June 2023.

Save as aforesaid, there was no other material acquisition and disposal of subsidiaries and associated companies of the Company during the Year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

During the Year, the Group had entered into new bank loan facilities under which certain completed properties for sale of the Group were pledged with the banks.

An indirect wholly-owned subsidiary of the Company in China provided guarantees to certain financial institutions in an aggregate amount of approximately RMB183.2 million (equivalent to approximately HK$201.0 million) on behalf of independent purchasers of premises of the Central Square in relation to which the related premises ownership certificates had not been issued as at 31 December 2023. The said guarantees would be released upon the issuance of the premises ownership certificate to those buyers.

Save as aforesaid, there was no other material change in the Group's pledge of assets and contingent liabilities during the Year.

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was approximately 9,714 (2022: approximately 10,006). Employees' costs (including directors' emoluments) amounted to approximately HK$810 million for the Year (2022: approximately HK$1,183 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible with the market. Individual employees may also receive a discretionary bonus at the end of each year based on his/her performance. Employees may also be granted share options and share awards under the share option scheme(s) and the employee's share award scheme adopted by the Company. Details of the share option scheme(s) and the share award scheme are set out in notes 33 and 32(c) to the financial statements respectively.

PROSPECTS

The global economy is expected to remain uncertain throughout 2024. The tense relationships between the USA and Mainland China as well as the Russia-Ukraine war, Israel — Hamas war and Red Sea crisis would continue casting uncertainties on the business environment of the globe.

The International Monetary Fund forecasted a slight decline in global growth to 2.9% in 2024, down from 3% in 2023. In the USA, the decline in inflation has been more gradual and less pronounced after the annual rate of inflation fell abruptly in summer 2023. The annual inflation is hovering closer to about 3%, it is expected that the Federal Reserve of the USA would start to reduce the interest rate in about mid-2024 and that a number of countries and regions including Hong Kong would follow the cut, which would boost economic growth because of cheaper borrowing costs and lower mortgage interest payments which would in turn encourage consumers to spend and invest more. It is further expected that the US market sentiment would improve which in turn would provide more business opportunities for the Group, in particular its OEM toys production business, pursuant to the US President's message in the Budget of the US Government Fiscal Year 2024 that he has remained laser-focused on his top economic priority — taking action to lower costs for working families and give the American people more breathing room, and the administration policies have left families more economically secure than before the pandemic.

Despite 2024 would be a year full of challenges, it is expected that the respective governments of Mainland China, Hong Kong and the USA where the businesses of the Group are focusing on would launch appropriate policies to address the impact of uncertainties and that a gradual recovery of consumer confidence would emerge in the second half of 2024. The Group is cautiously positive on the market recovery and its business prospect in the future, and will closely monitor any changes in political and economic environment so as to react appropriately for grasping further business opportunities.

Trading and Manufacturing

OEM toys production

To cope with the market uncertainties, the Group will keep strengthening its competitiveness in this segment by controlling its production costs by such re-engineering actions as expansion of production in Guangxi province, simplification and consolidation of operational procedures and the use of automation, moving towards vertical integration and innovation, and continuing to identify the needs of key customers for providing unique one-stop integral solutions and product development services for gaining a competitive edge and reinforcing its industry-acclaimed recognition. The Group is committed to play the role that drives the awareness of Environmental, Social and Governance matters, and emphasizes on sustainability through the use of recycled water and solar energy in its plants in Mainland China.

Both the long-standing customer loyalty and world-class engineering capability are the attributes of the Group's competitive edge in this business, therefore, the Group is confident in obtaining purchase orders from those long-term customers in the event such customers placing orders of manufacturing of toys products. Meanwhile, the Group will strive to solicit new customers, and expand and diversify the customer base. Given the market is cost conscious, the Group will keep on (i) exploring the opportunity to further diversify its production base in other low-cost countries, (ii) exploring different material suppliers for obtaining competitive prices and (iii) sub-contracting the production of non-core parts of the toys products for enhancing its control in costs of production for capturing new customers from its vulnerable competitors who are knocked out in this critical period.

Trading of footwear products

The Group will keep expanding its client base by engaging some referrers in different countries, e.g. the USA and Italy apart from maintaining good and long-term relationship with loyal clients, for securing more orders of footwear products. The Group will continue to source various production bases out of Mainland China for controlling the production costs.

Property Investment and Development

Property Investment

The economy of Mainland China recovered at a slower pace than expected after the uplifting of COVID-19 curbs by the central government, it is expected that the central government will issue some policies and measures to boost the economy.

The Group will continue to deploy its leasing strategy by diversifying its tenant portfolio in response to the changing environment and consumption pattern. Avenue of Stars ("AOS"), a renowned mall in Shenyang, is anchored by a variety of fashion retailers, household stores and parenting workshops, which targets on young couples and family customers. On the other hand, the retail podium in Central Square is well-positioned to be a focal point of restaurants and bars, leisure experience and performance and exhibitions which provide diversified features of art and entertainment to teenagers and young adults. The Group believes that the widened target customer base will enhance the business atmosphere, which in turn will attract more prospective tenants and improve the rental income. In addition, the relaxed restriction on cross-region movements and travels will be a catalyst to speed up the recovery of household consumption and retail spending.

Property Development

The real estate market in Mainland China will continue to be competitive and challenging, and consumer confidence is one of the key factors for the market recovery. The Group is cautiously optimistic on the sales of residential units of Central Square as it is located in one of the prime residential areas in Shenyang and having the advantages of direct accessibility to (i) its retail podium, (ii) the subway and (iii) a busy pedestrian street anchored by restaurants and retail stores.

Preliminary works of the second phase of Central Square which is directly facing to the first phase will start upon settlement of terms and conditions with the remaining settlers, which was substantially affected by the COVID-19 controlling measures. The second phase is also a mixed development project, and its positioning will be thematically in line with the first phase.

The Group will continue to study conversion of usage of some other land bank assets from industrial to commercial use in Nanjing and Tianjin for the purposes of increasing both the land value and return from development of such land after conversion. On the other hand, the central government of Mainland China announced a batch of development projects which is expected to bring along business opportunities to the land bank assets in Nanjing and Shenzhen. The Group will revisit the business plan on those land bank assets in those areas where the development projects are located and take proactive approach in response to the progress of the development plan. In addition, the Group will keep exploring any sale and purchase opportunities in other land bank assets.

Agriculture and Forestry

The Group currently has long-term leases of over 290,000 mu (approximately 193 million sq.m.) of woodland, farmland, fishpond and lake space in various major provinces in Mainland China, and is focusing on the plantation of fruits and crops such as apples, winter dates, peaches, pears and corns. The Group will continue to explore plantation opportunities of high profit margin species and focus on improving harvest, sales distribution channels, utilisation of resources and cost control for improving the operating results of this segment.

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the key risks and uncertainties facing by the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

Risks relating to Trading and Manufacturing

Macroeconomic environment

The Group designs and manufactures a wide variety of toys, shoes and other leather products. Our customers sell such products worldwide to their consumers. The Group's financial performance, therefore, hinges on the level of discretionary consumer spending in the markets in which our products are eventually sold. Recessions, credit crises and other economic downturns can result in decrease in consumers' disposable income and lower consumption confidence. These factors would adversely affect orders from our customers.

Cost increase

Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Mainland China or compliance with existing or future regulatory requirements could impact the profit margins realised by the Group on the sale of its products. In addition, the Group could be the subject of future product liability lawsuits or product recalls, which could harm its business.

Risks relating to Property Investment and Development

Risks associated with the property market in Mainland China

A significant part of the Group's property portfolio is located in Mainland China and is therefore subject to the risks associated with Mainland China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy change, RMB exchange rate change, interest rate change, demand-supply imbalance, and the overall economic conditions, which pose adverse impact on the Group's business, financial condition or results of operations.

Risks associated with the property market in Hong Kong

The state of Hong Kong's economy and property market, legislative and regulatory changes, government policies and political conditions would affect the Group's revenue derived from the Group's property portfolio in Hong Kong. The government may introduce property cooling measures from time to time. Rental levels in Hong Kong are subject to competition arising from supply in the primary sector.

Risks relating to Agriculture and Forestry

Risk associated with natural disasters or adverse weather conditions

The Group's agriculture and forestry operations are susceptible to natural disasters and adverse weather conditions such as droughts, floods and earthquakes, and environmental hazards. The occurrence of any of the above events in or in close proximity to our cultivation area may cause a reduction or delay in our production output, which may adversely affect the Group's business and operating performance.

The Group will conduct regular reviews and focus on mitigating the risks exposure of each business unit.

UPDATE ON LITIGATION PROCEEDINGS

(i) Against Nanjing Skytech Co., Limited and Others

Case on infringement of copyrights

Reference is made to the announcement made by the Company dated 5 December 2016 in relation to the litigation in the People's Republic of China ("China") concerning infringement of copyrights of certain computer software belonging to Nanjing South China Skytech Technology Co., Limited (南京南華擎天資訊科技有限公司) ("South China Skytech").

On 31 January 2000, Janful Limited, an indirect wholly-owned subsidiary of the Company, and Nanjing Skytech Co., Limited (南京擎天科技有限公司) ("Nanjing Skytech") entered into a joint venture agreement to set up South China Skytech to engage, mainly, in software development, research, sales and after-sales service, system integration and other related electronic business.

In or about 2003, business of South China Skytech further deteriorated and suffered serious loss. Upon investigations, it was found that Nanjing Skytech illegally transferred all the computer software belonging to South China Skytech ("Computer Software") for its own use and registered the ownership of the copyrights of the Computer Software under its own name or under the name of Nanjing Skytech Software Technology Co., Limited (南京擎天軟件科技有限公司) ("Skytech Software"), rendering South China Skytech unable to continue its business. On the other hand, the assets and profits of Nanjing Skytech continued to increase and eventually Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司) ("Sinosoft"), the parent company of Nanjing Skytech, was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2013 (stock code: 1297).

South China Skytech commenced legal proceedings in Jiangsu High People's Court (the "Jiangsu High Court") against, inter alia, Nanjing Skytech seeking the Jiangsu High Court to determine that the ownership of the copyrights of a total of 31 pieces of Computer Software registered under the names of Nanjing Skytech and Skytech Software belong to South China Skytech; and that Nanjing Skytech pay South China Skytech damages in the sum of RMB210.4 million (to be assessed) for infringement of copyrights of the Computer Software.

On 28 November 2016, the Jiangsu High Court delivered its first instance judgment on the Computer Software copyrights ownership. The Jiangsu High Court determined that during the period from March 2000 to March 2003, Nanjing Skytech basically had no employees. Not only that, before 2002, Nanjing Skytech had no fixed assets and therefore it did not have the necessary means to develop any software. The development of the Computer Software was mainly relied on South China Skytech's manpower and physical technology capability. The Jiangsu High Court also determined that Nanjing Skytech and Skytech Software had exploited South China Skytech's physical technology capability to develop the Computer Software and registered the ownership of the copyrights of the Computer Software under their respective names. Such actions did not comply with the basic principles of copyright laws. The ownership of the copyrights of a total of 13 pieces of Computer Software was held to belong to South China Skytech.

All parties in the said infringement of copyrights case have appealed to the Supreme People's Court of China. The Supreme People's Court of China issued a ruling on 26 October 2018 which revoked the first-instance judgment and sent the case back to the Jiangsu High Court for retrial.

After holding a pre-trial conference on 31 July 2019, the Jiangsu High Court conducted a hearing in relation to the retrial of the case on 22 October 2019. Nanjing Skytech challenged the presiding judge at the beginning of the trial. The Jiangsu High Court rejected the request of challenge for untenable reason, and held that during more than two-and-a-half months of the pre-trial proceedings prior to the establishment of the trial, the two parties had completed numerous written exchanges of cross-examination and arguments, and Nanjing Skytech had never challenged the presiding judge, but did so at the time of the trial, which was an open violation of good faith lawsuit.

The Company considers that Nanjing Skytech has seriously violated the principle of good faith, and was actually a shell company, basically with no employees, no office base and no capital. It had no means whatsoever to develop any computer software. Therefore, the Company considers that the remaining 18 pieces of Computer Software were also developed using the manpower and physical technology capabilities of South China Skytech and therefore the ownership of the copyrights of the remaining Computer Software should also belong to South China Skytech. The Company will explore every possible course of action to claim for the ownership of the remaining 31 pieces of Computer Software.

In addition, it is noted that Sinosoft had disclosed in its prospectus dated 27 June 2013 of its alleged ownership of certain computer software. The Company considers that most of the computer software was also subsequently developed from the Computer Software belonging to South China Skytech. The Company will explore every possible course of action to claim against Nanjing Skytech and/or Sinosoft for infringement of copyrights and to seek an injunction prohibiting Nanjing Skytech and/or Sinosoft to continue to sell and/or use such computer software.

On 27 March 2023, the Jiangsu High Court ruled that the ownership of the copyrights of 3 pieces of Computer Software belonged to South China Skytech. South China Skytech appealed against the ruling on 15 April 2023. It is currently pending hearing of the court.

Case on liability dispute related to damaging the interests of the Company

Reference is made to the announcement of the Company dated 20 July 2016 in relation to the final judgment made by the Jiangsu High Court against Nanjing Skytech, Ms. Xin Yingmei, Mr. Wang Xiaogang and Mr. Zhang Hong (the "Defendants") who had breached the non-competition obligation under China's Company Law and were liable to pay all the gain therefrom to South China Skytech as follows:

1. Ms. Xin Yingmei, Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall pay RMB22,533,377.09 to South China Skytech;

2. Ms. Xin Yingmei shall pay RMB4,392,329.95 to South China Skytech. Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment;

3. Mr. Wang Xiaogang shall pay RMB691,859.56 to South China Skytech. Ms. Xin Yingmei, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment; and

4. Mr. Zhang Hong shall pay RMB288,274.85 to South China Skytech. Ms. Xin Yingmei, Mr. Wang Xiaogang and Nanjing Skytech shall be jointly liable to the payment.

The Jiangsu Immediate People's Court had frozen a bank account held by Nanjing Skytech with a total sum of approximately RMB28 million in February 2017. As all parties have appealed to the Supreme People's Court of China for retrial, the Supreme Court remitted the case back to the Jiangsu High Court for retrial on 8 April 2019. The Jiangsu High Court accepted the case on 13 June 2019. Subsequent to the hearing of the case on 21 May 2020, the Jiangsu High Court made mediation arrangements on 1 April 2021 for the two parties to resolve the matter but unsuccessful, and the case is pending for judgement.

(ii) Case on infringement of land situated at Tianjin Binhai New District

In April 1993, World Right Investments Limited (環威投資有限公司) ("World Right"), an indirect wholly-owned subsidiary of the Company, and Tianjin Tanggu Property Development Company Limited (天津塘沽房地產開發股份有限公司) (currently known as Binhai Investment Group Holding Company Limited (濱海投資集團股份有限公司) ("Binhai Investment Group")) formed a joint venture company in China known as Tianjin South China Property Development Company Limited (天津南華房地產開發有限公司) ("South China Property"). World Right holds 51% equity interest in South China Property.

In June 1993, World Right and Binhai Investment Group entered into a joint development agreement (the "Development Agreement"). It was agreed under the Development Agreement, inter alia, that World Right and Binhai Investment Group shall jointly develop a piece of land situated at Tianjin Binhai New District with an area about 500,000 sq.m. (the "Involved Land") and World Right shall pay RMB10.4 million in cash to increase the capital investment in South China Property. World Right duly paid the capital investment of RMB10.4 million which had been used for formation of the Involved Land. Subsequently, Binhai Investment Group failed to perform the Development Agreement, did not recognise that World Right and Binhai Investment Group had joint right to develop the Involved Land, and maliciously transferred the Involved Land to Tianjin Cheng Tou Binhai Property Company Limited (天津城投濱海房地產經營有限公司) ("Cheng Tou Binhai"), a company invested in and established by it and the government.

In June 2023, World Right commenced legal proceedings in Tianjin No. 3 Intermediate People's Court against Binhai Investment Group and Cheng Tou Binha, demanding the termination of the Development Agreement, and urged to order the defendants to compensate for losses of approximately RMB366 million (subject to judicial evaluation). It is currently pending hearing of the court.

(iii) Case on arbitration related to Nansha land

In March 2021, Brightson Investments Limited, an indirect wholly-owned subsidiary of the Company, filed an application for arbitration with China International Economic and Trade Arbitration Commission in relation to failure of the Villagers' Committee of Datang Village, Huangge Town, Nansha District, Guangzhou (the "Datang Villagers' Committee") to transfer the land under agreement to it, demanding that the Datang Villagers' Committee compensate for the losses in accordance with the law.

The arbitral tribunal conducted hearings on 28 February 2023 and 18 December 2023 respectively. It is currently pending rulings by the arbitral tribunal.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our PRC establishments to operate in strict compliance with the relevant environmental regulations and rules and possess all necessary permission and approval from the relevant Chinese regulators.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group has also adopted share option schemes and share award scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/merchandise and other business partners which provide value-added services to the Group.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services.

Ng Hung Sang
Chairman

Hong Kong, 19 March 2024

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 74, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 00619) and South China Assets Holdings Limited, being listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. He also holds several directorships in certain subsidiaries of the Group. He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 24 June 1992. He is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, Mr. Ng Yuk Fung Peter, a Non-executive Director of the Company and Mr. Ng Yuk Yeung Paul, an Executive Director, the Executive Vice Chairman and the Co-Chief Executive Officer of the Company. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 70, is an Executive Director, the Vice Chairman, the Co-Chief Executive Officer and a member of the Executive Committee of the Company. She is also an executive director and a vice chairman of South China Financial Holdings Limited, being listed on the Main Board of the Stock Exchange (stock code: 00619) and an executive director of South China Assets Holdings Limited, being listed on the GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. She also holds several directorships in certain subsidiaries of the Group. She holds a Master's degree in Business Administration from University of Illinois in the United States of America. She was a member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 24 June 1992. She was re-designated as the Co-Chief Executive Officer of the Company with effect from 16 May 2018. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Yeung Paul, aged 42, is an Executive Director, the Executive Vice Chairman, the Co-Chief Executive Officer and a member of the Executive Committee of the Company. Mr. Paul Ng has been appointed as an executive director of South China Financial Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 00619) since 1 February 2023. He has also been appointed as an independent non-executive director of China Rongzhong Financial Holdings Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 03963) since 28 April 2023. He was a non-executive director of South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. He also holds several directorships in certain subsidiaries of the Group. He graduated in Law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a member of the 13th and 14th National Committee of the Chinese People's Political Consultative Conference and is a standing member of the 11th, 12th and 13th Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. He was the winner of the Young Industrialist Awards of Hong Kong 2017. He has extensive experience in the financial services, property development, OEM toys manufacturing, tourism and media businesses. He was appointed as a Director of the Company on 1 January 2016. He was appointed as the Co-Chief Executive Officer of the Company with effect from 16 May 2018. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company and Mr. Ng Yuk Fung Peter, a Non-executive Director of the Company.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui Jessica, aged 45, is a Non-executive Director of the Company. She is also an executive director, an executive vice chairman and the chief executive officer of South China Financial Holdings Limited (stock code: 00619) and a non-executive director of i-CABLE Communications Limited (stock code: 01097), all of which being listed on the Main Board of the Stock Exchange and an executive director and an executive vice chairman of South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. She is also the executive vice chairman of South China Media Limited. She holds a Bachelor's degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of the 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference and a standing committee member of the 13th Hebei Provincial Committee of the Chinese People's Political Consultative Conference. She was appointed as an Executive Director of the Company on 17 June 2002 and re-designated as a Non-executive Director of the Company with effect from 1 July 2005. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the elder sister of Mr. Ng Yuk Fung Peter, a Non-executive Director of the Company and Mr. Ng Yuk Yeung Paul, an Executive Director, the Executive Vice Chairman and the Co-Chief Executive Officer of the Company.

Mr. Ng Yuk Fung Peter, aged 43, is a Non-executive Director of the Company. He holds a Bachelor's degree in Law from King's College London, University of London in the United Kingdom and is an associate member of the Chartered Institute of Management Accountants. He is also a member of Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. He was appointed as an Executive Director of the Company on 17 June 2002 and re-designated as a Non-executive Director of the Company with effect from 16 May 2018. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, the elder brother of Mr. Ng Yuk Yeung Paul, an Executive Director, an Executive Vice Chairman and the Co-Chief Executive Officer of the Company and the younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company.

Ms. Li Yuen Yu Alice, aged 54, is a Non-executive Director and a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. She is also a director of Cheng & Cheng Limited, Certified Public Accountants in Hong Kong. She received her Accounting degree from Monash University, Australia in 1994 and was admitted as a Certified Public Accountant in Australia and in Hong Kong in 1997 and 1998 respectively. She is a fellow member of the Taxation Institute of Hong Kong. She was appointed as a Director of the Company on 28 September 2004. She had been re-designated from an Independent Non-executive director to a Non-executive Director and ceased to be the chairman and member of the Audit Committee with effect from 21 December 2017. She was appointed as a member of the Audit Committee on 7 July 2023.

Mr. Yu Pui Hang, aged 44, is a Non-executive Director of the Company. He is the founder and principal partner of L & Y Law Office and Henry Yu & Associates. Mr. Yu's areas of expertise include blockchain, commercial law, corporate and commercial transactions and foreign and cross-border investments, and he has been a qualified Certified Financial Technologist (CFT). Prior to that the foregoing, Mr. Yu was appointed as an executive director and deputy head of legal counsel of ICBC International Holdings Limited, which is the investment banking arm of Industrial and Commercial Bank of China (stock code: 01398), one of the largest banks in the world. Mr. Yu is also a member of the Innotech Committee (formerly known the Technology Committee) of the Law Society of Hong Kong, and has also been appointed as the Hon. Legal Advisor to the Hong Kong Federation Invention and Innovation, Hon. Legal Advisor to the Hong Kong International Blockchain & Financial Association, Hon. Legal Advisor to the Institute of Financial Technologies of Asia, Hon. Legal Advisor to the Bitcoin Association of Hong Kong and Hon. Legal Advisor to the Hong Kong International Family Office Association. Mr. Yu has also been appointed as Executive Principal of China Commercial Blockchain Legal Institute and the committee member of TechFin (GHM Greater Bay Area) Association. Mr. Yu was awarded the "China Commercial 2019 Outstanding Contribution Award". In addition, Mr. Yu has been appointed as an independent non-executive director of Amuse Group Holding Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 08545) since May 2018. He was also an independent non-executive director of Hyfusin Group Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 08512), from June 2018 to November 2021. Mr. Yu obtained a degree of Bachelor of Laws from King's College London of the University of London in the United Kingdom in 2001. He was appointed as a Director of the Company on 17 January 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Tse Wong Siu Yin Elizabeth, aged 66, is an Independent Non-executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is also an independent non-executive director of South China Financial Holdings Limited (stock code: 00619), being listed on the Main Board of the Stock Exchange. She is the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the vice-convenor of the Environmental Services Industry of Employees Retraining Board and a member of the judge panel of Hong Kong Flower Show. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor's degree in Science from the University of Western Ontario in Canada. She was appointed as a Director of the Company on 19 October 2004.

Mr. Kam Yiu Shing Tony, aged 62, is an Independent Non-executive Director of the Company. He was appointed as the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company in December 2017 and April 2019 respectively. He has been qualified as an accountant since 1989 and admitted as a certified public accountant (practicing) since 1993. He holds a master's degree in business and administration from Monash University, Australia. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants, an associate of the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong, and at the same time registered as a Certified Tax Adviser. He was the President of the Society of Chinese Accountants and Auditors in 2016. He was appointed as a Director of the Company on 1 November 2017.

Ms. Pong Scarlett Oi Lan, BBS, J.P., aged 64, is an Independent Non-executive Director, the members of the Audit Committee and the Remuneration and Nomination Committee of the Company. Ms. Pong is the Chairman of Health Quotient HQ International Institute Limited and the Immediate Past President of The Pharmaceutical Society of Hong Kong. She is an appointed District Councilor and currently, the Advisor of Our Hong Kong Foundation. She was an independent non-executive director of South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022. She also actively serves the public sector and is currently the Visiting Associate Professor at Hong Kong Nang Yan College of Higher Education, and Advisor of Hong Kong Federation of Handicapped Youth and Christian New Life Association Limited (charitable organizations). She is currently an Honorary Patron of Hong Kong Seeing Eye Dog Services. In addition, she is a member of the Building Committee under the Hong Kong Housing Authority and a member of the Committee on Promotion of Organ Donation. She is also the Board of Trustees for New Era Trust. She was a former member of the Steering Committee on Prevention and Control of Non-communicable diseases under the Food and Health Bureau, and a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the President of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor's degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She holds a Master of Arts from Macquarie University in Australia in 2018. On 12 December 2023, she has been appointed as an appointed member of the seventh-term Sha Tin District Council (2024–2027) by the Government. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008–2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007–2012). She received awards of the Ten Outstanding Young Persons' Selection in 1998, the Hundred Outstanding Women Entrepreneur in China in 2007, was appointed as a Justice of the Peace (J.P.) by the Government of the Hong Kong Special Administrative Region in July 2010 and received an award of Bronze Bauhinia Star in 2017. She also received awards of Pioneers in Healthy Cities, Alliance for Healthy Cities, Western Pacific Region. She was appointed as a Director of the Company on 15 September 2020.

Mr. Wong Chun Tat, J.P., aged 43, is an Independent Non-executive Director, the members of the Audit Committee and the Remuneration and Nomination Committee of the Company. He is also the executive director of Hong Thai Golf Centre and a general manager of Sin Ma Tours Limited. He is currently a member of the election committee of the chief executive of Hong Kong Special Administrative Region, the honorary consul general of The Republic of Mali-Hong Kong, the vice chairperson of Travel Industry Training Advisory Committee. He is also the vice chairman of The Y. Elites Association, a standing committee member of The Chinese Chamber of Commerce, Hong Kong and the vice chairman of the Youth Executives' Committee of The Chinese Chamber of Commerce, Hong Kong. Mr. Wong is a member of Chongqing Committee of Chinese People's Political Consultative Conference (the 5th and 6th session) and a member of the 13th Committee of the All-China Youth Federation. Between 2017 and 2018, Mr. Wong was a member of Consultation Panel for West Kowloon Cultural District Authority. Mr. Wong holds a Bachelor's degree of Arts in Tourism Management and a Master's degree of Professional Accounting from The Hong Kong Polytechnic University respectively. In addition, Mr. Wong has been appointed as an independent non-executive director of S.A.I. Leisure Group Company Limited, a company whose shares are listed on the Main board of the Stock Exchange (stock code: 01832) since 16 December 2022. He was appointed as a Director of the Company on 15 February 2022.

Directors' Report

The directors (the "Directors") of South China Holdings Company Limited (the "Company") are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the trading and manufacturing of toys, shoes, electronic toys and leather products, property investment and development, agriculture as well as forestry. The principal activities of the principal subsidiaries are shown in note 44 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the Year, a discussion and analysis of these activities as required by Schedule 5 to Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are provided in the section headed "Chairman's Statement and Management Discussion and Analysis" on pages 3 to 16 of this annual report. These discussions form part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The board of Directors (the "Board") has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

In addition, discussion on the Group's environmental policies and performance are contained in the ESG Report on pages 54 to 74 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group at that date are set out in the financial statements on pages 81 to 195 of this annual report.

No interim dividend was paid by the Company (2022: Nil). The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow the Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

Objectives

The Dividend Policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the amount of dividend to be paid to the shareholders of the Company.

It is the policy of the Company to distribute its net profits by way of dividends to its shareholders after retaining adequate reserves for future growth as return to its shareholders' investment.

Basic Criteria

In deciding to propose a dividend and in determining the dividend amount, the Board shall take into account the actual and expected financial results of the Group, business performance and strategies, financial and economic factors, capital commitments, liquidity position and any other factors that the Board considers appropriate.

Subject to the conditions and factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board considers appropriate.

Payment of dividend by the Company is also subject to any criteria and restrictions under the Cayman Islands laws and the Company's Articles of Association (the "Articles").

Form of Dividend

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Approval of Dividend

The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate.

The Board may recommend the payment of final dividends which are required to be approved by the shareholders of the Company in general meetings.

Approval of the Dividend Policy

The Dividend Policy has been reviewed by the audit committee (the "Audit Committee") of the Company and approved by the Board. The Dividend Policy shall be reviewed by the Audit Committee and any subsequent amendment of the Dividend Policy shall be submitted to the Board for approval.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK$843,000 (2022: approximately HK$711,000).

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company had reserves available for distribution to the Shareholders amounted to HK$863,379,000 (2022: HK$993,100,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 196 of this annual report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

In addition to the below mentioned transactions, details of movements in the ordinary shares, share options, share awards and redeemable convertible preference shares of the Company during the Year are set out in notes 32 and 33 to the financial statements. Save as the issued 109,975,631 redeemable convertible preference shares (the "CPSs"), if fully converted, 219,951,262 ordinary shares will be issuable with proceeds receivable of HK$87.98 million, details are disclosed in note 32 to the financial statements and the share options in the section headed "Share Option Schemes" below, there was no other equity-linked agreement subsisting at the end of the year nor entered into by the Company during the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the Year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	48.1%	N/A
Five largest customers in aggregate	71.1%	N/A
The largest supplier	N/A	13.0%
Five largest suppliers in aggregate	N/A	28.3%

None of the Directors or any of their associates or any shareholders of the Company (which, to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) had any beneficial interest in the major customers and suppliers noted above.

DIRECTORS

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

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor (*Vice Chairman and Co-Chief Executive Officer*)
Mr. Ng Yuk Yeung Paul (*Executive Vice Chairman and Co-Chief Executive Officer*)

Non-executive Directors

Ms. Ng Yuk Mui Jessica
Mr. Ng Yuk Fung Peter
Ms. Li Yuen Yu Alice
Mr. Yu Pui Hang (*appointed on 17 January 2023*)

Independent Non-executive Directors

Mrs. Tse Wong Siu Yin Elizabeth
Mr. Kam Yiu Shing Tony
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Wong Chun Tat, J.P.

The biographical details of the Directors are set out in the section headed "Directors' Biographical Details" on pages 17 to 20 of this annual report.

In accordance with Article 116 of the Articles, Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Ms. Li Yuen Yu Alice and Mrs. Tse Wong Siu Yin Elizabeth will retire from office by retirement and rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM"). Mr. Ng Hung Sang and Ms. Cheung Choi Ngor will offer themselves for re-election at the AGM. Ms. Li Yuen Yu Alice and Mrs. Tse Wong Siu Yin Elizabeth have indicated that they will not seek to stand for re-election at the AGM. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board is of the view that all Independent Non-executive Directors are independent during their servicing period.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to executive directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the non-executive directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

Long positions in ordinary shares of the Company

	Number of ordinary shares held				Approximate percentage of shareholding to total issued ordinary shares
Name of Director(s)	**Personal interests** *(Note 1)*	**Family interests**	**Corporate interests**	**Total number of shares held**	*(Note 2)*
Mr. Ng Hung Sang ("Mr. Ng")	1,312,816,324	613,214,065 *(Note 3)*	6,828,729,326 *(Note 4)*	8,754,759,715	66.22%
Ms. Cheung Choi Ngor ("Ms. Cheung")	41,000,000	–	–	41,000,000	0.31%
Mr. Ng Yuk Yeung Paul ("Mr. Paul Ng")	171,989,238	–	–	171,989,238	1.30%
Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng")	170,700,000	–	–	170,700,000	1.29%

Long positions in ordinary shares of associated corporation

Name	Name of associated corporation	Number of ordinary shares held by controlled corporation	Approximate percentage of shareholding to total issued ordinary shares
Mr. Ng	Prime Prospects Limited ("Prime Prospects") (*Note 5*)	30	30%

Notes:

1. The shares are registered under the names of the directors who are the beneficial shareholders.

2. These percentages are calculated on the basis of 13,221,302,172 ordinary shares in issue as at 31 December 2023.

3. The spouse of Mr. Ng is the beneficial shareholder.

4. 6,828,729,326 shares of the Company held by Mr. Ng through controlled corporations included 2,124,792,202 shares held by Fung Shing Group Limited ("Fung Shing"), 2,020,984,246 shares held by Parkfield Holdings Limited ("Parkfield"), 89,410,210 shares held by Ronastar Investments Limited ("Ronastar"), 1,075,765,537 shares held by Earntrade Investments Limited ("Earntrade"), 1,273,122,098 shares held by Bannock Investment Limited ("Bannock"), 212,405,565 shares held by Crystal Hub Limited ("Crystal Hub") and 32,249,468 shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar all are wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. Crystal Hub is a direct wholly-owned subsidiary of South China Assets Holdings Limited, which, in turn, is 64.92% beneficially owned by Mr. Ng. Green Orient is an indirect wholly-owned subsidiary of the Company. As such, Mr. Ng was deemed to have interest in the said 212,405,565 shares held by Crystal Hub, 32,249,468 shares held by Green Orient and the 2,617,829,018 shares held by Bannock and Earntrade.

5. Prime Prospects is a 70% owned subsidiary of the Company.

Apart from the foregoing, none of the Directors and chief executives of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code, at 31 December 2023.

SHARE OPTION SCHEMES

2012 SHARE OPTION SCHEME

The Company adopted a share option scheme in June 2012 (the "2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the above scheme are unlisted. The 2012 Share Option Scheme has been expired on 11 June 2022. The options could be exercised by the participants at any time during the option exercisable period and notwithstanding that the 2012 Share Option Scheme had expired. Further details of the 2012 Share Option Scheme are disclosed in note 33 to the financial statements.

No share option was granted, exercised, cancelled or lapsed under the 2012 Share Option Scheme during the Year. The movements in the number of share options under the 2012 Share Option Scheme during the Year are as follows:

	Number of share options						
Name or category of participant	**Outstanding as at 1 January 2023**	**Granted/ Exercised/ Lapsed during the year**	**Outstanding as at 31 December 2023**	**Date of grant of share options** (Note 1)	**Exercise period of share options**	**Number of ordinary shares issuable upon the exercise of share options**	**Exercise price per share** HK$ (Note 2)
Employees							
In aggregate	4,333,334	(666,666)	3,666,668	10/07/2015	10/07/2016–09/07/2025	9,316,268	0.51
	4,333,333	(666,667)	3,666,666	10/07/2015	10/07/2017–09/07/2025	9,316,266	0.51
	4,333,333	(666,667)	3,666,666	10/07/2015	10/07/2018–09/07/2025	9,316,266	0.51
Total	**13,000,000**	**(2,000,000)**	**11,000,000**			**27,948,800**	

Notes:

1. All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 12 months	Nil
13th month–24th month	not more than 33 $^{1}/_{3}$%
25th month–36th month	not more than 66 $^{2}/_{3}$%
37th month–120th month	100%

2. The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alternation in the capital structure of the Company.

2023 SHARE OPTION SCHEME

The Company adopted the share option scheme at the extraordinary general meeting held on 20 June 2023 (the "2023 Share Option Scheme"), which has a term of ten (10) years and will expire on 20 June 2033.

The purpose of the 2023 Share Option Scheme is to provide incentive or rewards to the employees, directors and other eligible participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the 2023 Share Option Scheme is 1,322,130,217 Shares, representing approximately 10% of the total number of Shares in issue as at 20 June 2023 (being the date of the extraordinary general meeting approving the 2023 Share Option Scheme).

The maximum number of shares issuable under the share options to each eligible participant in the 2023 Share Option Scheme within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of share options in excess of this limit is subject to the Company's shareholders' approval in a general meeting. The exercise period of the share options granted is determinable by the directors, save that the period commences on the date of which the offer is made and ends on a date which is not later than ten (10) years from the date of grant of the share options subject to any provisions of the 2023 Share Option Scheme determining the rights of the grantees. The offer of a grant of share option may be accepted within twenty-eight (28) days from the date of grant, upon payment of a consideration of HK$1.00 by the grantee.

The exercise price per Share in relation to an option under the 2023 Share Option Scheme shall be a price to be determined by the Directors but must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five(5) business days immediately preceding the date of grant.

The number of options available for grant under the scheme mandate limit and the service provider sublimit under the 2023 Share Option Scheme are 1,322,130,217 and 132,213,021 respectively at the date of adoption of the 2023 Share Option Scheme and the end of the Year.

No option has been granted, cancelled, outstanding, exercised or lapsed under the 2023 Share Option Scheme during the Year.

The number of shares that may be issued in respect of options granted under the 2012 Share Option Scheme and 2023 Share Option Scheme during the Year representing 0% of the weighted average number of Shares for the Year.

Further details of the 2023 Share Option Scheme are disclosed in note 33 to the financial statements.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employees' share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK$60 million for the purchase of shares in the Company from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

The following information in relation to the Share Award Scheme pursuant to Rule 17.09 of the Listing Rules:

Purpose of the Share Award Scheme	:	(1) to selected employees in recognition of their contributions to the Group; (2) as incentive to retain the selected employees for supporting the operations and on-going development of the Group; and (3) to attract suitable personnel for further development of the Group.
Participants of Share Award Scheme	:	The Board may, from time to time, select any employee of the Group for participation in the Share Award Scheme.
Total number of Shares available for issue under the Share Award Scheme	:	As at the date of the Annual Report, the number of shares available for grant was 206,160,593 (representing approximately 1.56% of the issued share capital as at the date of this annual report).
Maximum entitlement of each selected participant under the Share Award Scheme	:	No maximum entitlement of each selected participant was set.
Exercisable period under the Share Award Scheme	:	No exercise period for awarded shares was set.
Vesting period of the Share Award Scheme	:	The vesting period of the share awards shall be determined by the Board at the time of grant of such share awards.

		In respect of a Selected Employee who died or retired at his/her normal retirement date or earlier by agreement with the Company or any subsidiary of the Company at any time prior to a vesting date, all the awarded shares and all income derived from a share of the Selected Employee shall be deemed to be vested on the date immediately prior to his/her death or retirement at his/her normal retirement date or earlier by agreement with the Company or any subsidiary of the Company.
Acceptance price	:	No amount is payable on acceptance of the grant of a share award under the Share Award Scheme.
Basis of determining the purchase price of shares awarded	:	The purchase price of each awarded share shall be determined by the Board at the time of grant of the share awards under the Share Award Scheme.
Remaining life of the Share Award Scheme	:	Subject to early termination of the Share Award Scheme pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of fifteen (15) years commencing on 18 March 2011 (the adoption date of the Share Award Scheme). The remaining life of the Share Award Scheme shall be approximately two (2) years.
Voting rights of unvested shares of the Share Award Scheme	:	The trustee shall not exercise the voting rights in respect of any shares held under the trust constituted by the trust deed dated 18 March 2011 entered into between the Company and the trustee.

Further details of the Share Award Scheme are set out in note 32(c) to the financial statements.

No movements in the number of awarded shares in the Company during the years ended 31 December 2023 and 2022.

Movements in the number of shares in the Company held under the Share Award Scheme are as follows:

	2023		**2022**	
	Value	**Number of shares held**	**Value**	**Number of shares held**
	HK$'000		*HK$'000*	
At 1 January and 31 December 2023	61,075	206,160,593	61,075	206,160,593

During the Year, there was no share (2022: Nil) of the Share Award Scheme of the Company was transferred to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was Nil (2022: Nil).

The number of awarded shares that may be granted under the Share Award Scheme during the Year representing 0% of the weighted average number of Shares for the Year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" above, at no time during the Year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any right to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEMES

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 2.4(y)(i) to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the Year between the Group and connected persons (as defined in the Listing Rules) in which a Director has beneficial interest are set out in the section headed "Related Party Transactions" of this annual report and related party transactions as disclosed in note 39 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end or at any time during the Year.

MANAGEMENT CONTRACT

The Company did not enter into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the Year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the interests and short positions of every persons, other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name	**Number of ordinary shares held**				**Approximate percentage of shareholding to total issued ordinary shares**
	Beneficial interests	**Family interests**	**Corporate interests**	**Total number of ordinary shares held**	*(Note 1)*
Earntrade	1,075,765,537	–	1,273,122,098 *(Note 2)*	2,348,887,635	17.77%
Bannock	1,273,122,098 *(Note 2)*	–	–	1,273,122,098	9.63%
Fung Shing	2,124,792,202	–	–	2,124,792,202	16.07%
Parkfield	2,020,984,246	–	–	2,020,984,246	15.29%
Ms. Ng Lai King Pamela ("Ms. Ng")	613,214,065	8,141,545,650 *(Note 3)*	–	8,754,759,715	66.22%

Notes:

1. These percentages are calculated on the basis of 13,221,302,172 ordinary shares in issue as at 31 December 2023.

2. Bannock is a wholly-owned subsidiary of Earntrade. 2,348,887,635 shares of the Company held by Earntrade included 1,273,122,098 shares held by Bannock directly.

3. Ms. Ng, who held 1,312,816,324 shares of the Company directly, is the spouse of Mr. Ng, the Chairman and an Executive Director. By virtue of the SFO, Ms. Ng was deemed to be interested in the 1,312,816,324 shares and 6,828,729,326 shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the foregoing, as at 31 December 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, according to the Listing Rules, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

	Businesses which ate considered to compete or likely to complete with the businesses of the Group		
Name of Director	**Name of entity**	**Description of businesses**	**Nature of interest of the Director in the entity**
Mr. Ng	South China Assets Holdings Limited [Note]	Property investment and development	Director
Ms. Cheung	South China Assets Holdings Limited [Note]	Property investment and development	Director
Mr. Paul Ng	South China Assets Holdings Limited [Note]	Property investment and development	Director
Ms. Jessica Ng	South China Assets Holdings Limited [Note]	Property investment and development	Director

Note:

South China Assets Holdings Limited, the issued shares of which were listed on GEM of the Stock Exchange and were delisted on GEM of the Stock Exchange in March 2022

As the Board of Directors of the Company is independent of the boards of the above-mentioned entity and none of the above Directors can control the Board of the Company, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of the above-mentioned entity.

INDEMNITY OF DIRECTORS

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

CHANGE IN DIRECTORS' INFORMATION

There is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 39 to the consolidated financial statements. Certain of them are continuing connected transactions which are fully exempted from reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

Throughout the Year, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules.

The corporate governance principles and practices are set out in the Corporate Governance Report on pages 36 to 53 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event subsequent to 31 December 2023.

AUDITOR

The financial statements have been audited by KPMG, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 19 March 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance for the Company so as to ensure accountability, responsibility and transparency towards the shareholders of the Company (the "Shareholders").

Throughout the year ended 31 December 2023, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with the exception of code provisions C.1.6 and F.2.2 of the CG Code.

Under the code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Ng Yuk Fung Peter, the Non-executive Director, and Mr. Kam Yiu Shing Tony, the Independent Non-executive Director, were unable to attend the extraordinary general meetings of the Company held on 11 January 2023 and 20 June 2023 respectively and the annual general meeting of the Company held on 20 June 2023 due to their business engagements.

Under the code provision F.2.2 of the CG Code, the chairman of the board should invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. Mr. Kam Yiu Shing Tony, the Chairman of the Audit Committee of the Company, was unable to attend the annual general meeting of the Company held on 20 June 2023 due to his business engagements.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C1 of the Listing Rules as the code of conduct regarding the directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2023.

CULTURES AND VALUES

A healthy corporate culture is a valuable asset, a source of competitive advantage and vital to the creation and protection of long-term value. It is the board's role to determine the purpose of the Company and ensure that the Company's values, strategy and business model are aligned to it.

Strong governance underpins a healthy culture, and the Board should demonstrate good practice in the boardroom and promote good corporate governance throughout the Group's business. The Company must demonstrate openness and accountability, and should engage constructively with its shareholders and stakeholders.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the responsibilities of the corporate governance functions to the audit committee of the Company (the "Audit Committee") for compliance with the requirements of the CG Code. Under the terms of reference of the Audit Committee, it is responsible for carrying out at least the following:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the year ended 31 December 2023 and up to the date of this annual report, the Audit Committee has reviewed and performed the aforesaid corporate governance functions.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership and control of the Group, and is collectively responsible for promoting the Group's success by directing and supervising its affairs. In addition, the Board should take decisions objectively in the best interests of the Group. Day-to-day management of the business of the Group including implementation of strategies has been delegated to the executive committee of the Company (the "Executive Committee") which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically. In addition to the Executive Committee, the Audit Committee and the remuneration and nomination committee of the Company (the "Remuneration and Nomination Committee") have been established with their respective specific written terms of reference.

The chairman of the Board (the "Chairman") has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Group. The Chairman has also encouraged Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board's consensus.

Directors have given sufficient time and attention to the Group's affairs for the year ended 31 December 2023.

The Company has arranged appropriate directors' and officers' liability insurance cover in respect of any possible legal action against the Directors.

The terms of office of all Non-executive Directors (including the Independent Non-executive Directors) shall expire and subject to rotational retirement and re-election at annual general meetings of the Company at least about once every three years pursuant to the articles of association of the Company (the "Articles").

During the year under review, the Board was provided with (i) sufficient explanation and information to enable it to make an informed assessment of financial and other information put before it for approval, and (ii) monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail.

BOARD COMPOSITION

The composition of the Board during the year ended 31 December 2023 and up to the date of this annual report is as follows:

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor (*Vice Chairman and Co-Chief Executive Officer*)
Mr. Ng Yuk Yeung Paul (*Executive Vice Chairman and Co-Chief Executive Officer*)

Non-executive Directors

Ms. Ng Yuk Mui Jessica
Mr. Ng Yuk Fung Peter
Ms. Li Yuen Yu Alice
Mr. Yu Pui Hang (*Note*)

Independent Non-executive Directors

Mrs. Tse Wong Siu Yin Elizabeth
Mr. Kam Yiu Shing Tony
Ms. Pong Scarlett Oi Lan, *BBS, J.P.*
Mr. Wong Chun Tat, *J.P.*

Note: Mr. Yu Pui Hang was appointed as a Non-executive Director with effect from 17 January 2023.

The biographical details of the Directors, and the relevant relationships amongst them, if any, are set out in the section headed "Directors' Biographical Details" on pages 17 to 20 in this annual report. The Company has maintained on the websites of the Stock Exchange (www.hkexnews.com.hk) and the Company (www.scholding.com) an updated list of Directors identifying their roles and functions and whether they are independent non-executive directors. Independent non-executive directors are also identified as such in all corporate communications that disclose the names of directors of the Company.

The Board composition is reviewed regularly to ensure that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) is maintained to enable the Board to exercise independent judgement effectively.

Chairman and Chief Executive

Mr. Ng Hung Sang served as the Chairman and is responsible for providing leadership and management of the Board. Ms. Cheung Choi Ngor, the Vice Chairman and Co-Chief Executive Officer, and Mr. Ng Yuk Yeung Paul, the Executive Vice Chairman and Co-Chief Executive Officer, both have taken up the role of chief executive officer, who are responsible for the day-to-day management of the business of the Group.

The roles of chairman and chief executive are separate and clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, clear, complete and reliable information in a timely manner.

Board Diversity Policy

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diverse in Board members. The Board has approved and adopted a board diversity policy (the "Board Diversity Policy") in August 2013. Under the Board Diversity Policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of candidates for directorship, and all Board appointments are based on meritocracy.

Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the Board Diversity Policy and review the same as appropriate. The Remuneration and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflict of interest are the key factors to consider.

The Board has set measurable objectives (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

As at 31 December 2023, there were eleven Directors on the Board which including three executive Directors, four non-executive Directors and four independent non-executive Directors. An analysis of the existing Board composition is set out as below:

Number of Directors

<table>
<tr><th></th><th>Designation</th><th>Gender</th><th>Age Group</th><th>Length of Service</th></tr>
<tr><td>11</td><td rowspan="4">Independent Non-Executive Directors</td><td rowspan="5">Female</td><td>71 or above</td><td rowspan="6">More than 9 years</td></tr>
<tr><td>10</td><td rowspan="4">61-70</td></tr>
<tr><td>9</td></tr>
<tr><td>8</td></tr>
<tr><td>7</td><td rowspan="4">Non-Executive Directors</td></tr>
<tr><td>6</td><td rowspan="6">Male</td><td>51-60</td></tr>
<tr><td>5</td><td rowspan="5">41-50</td><td rowspan="5">0-9 years</td></tr>
<tr><td>4</td></tr>
<tr><td>3</td><td rowspan="3">Executive Directors</td></tr>
<tr><td>2</td></tr>
<tr><td>1</td></tr>
</table>

Board and Board Committee Meetings

The Board meets at least four (4) times a year. At least fourteen (14) days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda. Agenda accompanying board papers are sent to all Directors at least three (3) days before each regular Board meeting. Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. The draft minutes of Board meetings are circulated to all Directors for comments within a reasonable time after each Board meeting is held.

Minutes of each Board meeting are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

If a matter to be considered by the Board involves conflict of interest of any substantial or controlling shareholder of the Company or a Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient Independent Non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution for the transaction at the Board meeting.

Attendance records

Four (4) Board meetings, three (3) Audit Committee meetings, one (1) Remuneration and Nomination Committee meeting, one (1) annual general meeting and two (2) extraordinary general meetings were held during the year ended 31 December 2023. The attendance records of the Directors for these meetings are set out below:

	Number of meetings attended/Number of meetings held				
Directors	**Board**	**Audit Committee**	**Remuneration and Nomination Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors					
Mr. Ng Hung Sang	3/4	–	–	1/1	1/2
Ms. Cheung Choi Ngor	4/4	–	–	1/1	2/2
Mr. Ng Yuk Yeung Paul	2/4	–	–	1/1	2/2
Non-executive Directors					
Ms. Ng Yuk Mui Jessica	2/4	–	–	1/1	2/2
Mr. Ng Yuk Fung Peter	0/4	–	–	0/1	0/2
Ms. Li Yuen Yu Alice (*Note 1*)	4/4	2/2	1/1	1/1	2/2
Mr. Yu Pui Hang (*Note 2*)	4/4	–	–	1/1	1/1
Independent Non-executive Directors					
Mrs. Tse Wong Siu Yin Elizabeth	4/4	3/3	1/1	1/1	2/2
Mr. Kam Yiu Shing Tony	4/4	3/3	1/1	0/1	0/2
Ms. Pong Scarlett Oi Lan, BBS, J.P.	4/4	3/3	1/1	1/1	2/2
Mr. Wong Chun Tat, J.P.	4/4	3/3	1/1	1/1	2/2

Notes:

1. Ms. Li Yuen Yu Alice was appointed as a member of Audit Committee with effect from 7 July 2023.

2. Mr. Yu Pui Hang was appointed as a Non-executive Director with effect from 17 January 2023.

Access to Information

The Directors may seek independent professional advice in appropriate circumstance, at the Company's expense, while performing their responsibilities. The Company will, upon request, provide separate independent professional advice to Directors to assist them to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for decision as well as reports relating to the operational and financial performance of the Group before the Board or Board committee meeting. All such information supplied is complete and reliable. In the event that a Director does not rely purely on information provided voluntarily by the Company's senior management, such Director has the right to separately and independently access to the Company's senior management to make further enquiries where necessary.

Directors are entitled to have access to Board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. A prompt and full response to a Director's enquiries is given if possible.

Appointments and re-election of Directors

All Directors (including Non-executive Directors) are subject to retirement by rotation once every three (3) years in accordance with the Articles.

Pursuant to the Articles, all newly appointed Directors (including Non-executive Directors) shall hold office only until the next following annual general meeting ("AGM") after his appointment (in the case of filling a casual vacancy) or until the next following AGM (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

Independent Non-executive Directors

The Company has received an annual written confirmation from each of the Independent Non-executive Directors of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent pursuant to Rule 3.13 of the Listing Rules.

During the year under review, the Chairman met once with the Independent Non-executive Directors without the presence of other Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for overseeing and maintaining a sound and effective risk management and internal control systems and reviewing the effectiveness of the same. The Board assesses the effectiveness of the risk management and internal control systems through the ongoing reviews performed by the Audit Committee, executive management and both internal and external auditors.

Process used to Identify, Evaluate and Manage Significant Risks

The risk management and internal control systems aim at safeguarding assets from inappropriate use, ensuring the maintenance of proper accounting records, compliance with the applicable rules and regulations and confinement of the risks to the Group's acceptable level. The management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems which are designed to provide reasonable but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

With the support of the relevant business units, the Board identifies and assesses key existing or emerging risks to which the Group is facing, and formulates strategies and measures to mitigate the relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group. For each key risk identified, the risk register records the risk exposure estimation, current risk mitigation measures and further management actions to be taken to better control of the risks. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2023. The review included considering the risk register and risk management and internal control evaluations conducted by the Audit Committee, the management and the internal and external auditors.

Internal Audit Function

Taking into account the views of the Audit Committee, the Group Internal Audit Department formulates an audit plan periodically and reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the risk management and internal control systems. The audit plan covers key financial, operational and compliance controls of the major business units on a risk-based basis. The scope and time budgeted for an audit assignment normally depend on the assessed risk level. The Audit Committee meets with the internal auditor and external auditor at least twice a year. During the year under review, the Internal Audit Department conducted reviews of the toy manufacturing business, investment property businesses of mainland China and in Hong Kong. The results, including the assessment of the adequacy and effectiveness of controls, were addressed in the internal audit reports to the Audit Committee and the Board for their review and approval. The Internal Audit Department will also conduct ad hoc review in light of the concerns expressed by the management or the Audit Committee from time to time, if any.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

1. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012 and the provisions set forth in the Policy on Disclosure of Inside Information of the Company.

2. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website.

3. The Group has strictly prohibited the unauthorized use of confidential or inside information.

The linkage is well articulated in the section headed "Environmental Policies and Performance" which forms part of the Directors' Report.

The Environmental, Social and Governance Report includes the section headed "2.7 Anti-corruption" which explains how the Company approaches and manages a healthy corporate culture and promotes high ethical standards within the Group.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board should present a balanced, clear and understandable assessment in the annual and interim reports of the Company and other financial disclosures required under the Listing Rules, and report to regulators as well as information required to be disclosed pursuant to applicable statutory requirements.

The Board has acknowledged its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2023. In preparing the financial statements for the year, the Company's senior management provided sufficient explanation and information to the Board for making an informed assessment of financial and other information put before it for approval. In addition, the Board should prepare the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about its reporting responsibilities in the financial statements of the Group is set out in the Independent Auditor's Report on pages 75 to 80 of this annual report.

AUDITOR'S REMUNERATION

The fees paid/payable to the external auditor of the Company for the year ended 31 December 2023 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to approximately HK$3,863,000 and HK$140,000 respectively. Such non-audit services were rendered to the Group for tax consultancy services and to review and report on the continuing connected transactions.

AUDIT COMMITTEE

The Board has established its Audit Committee with specific written terms of reference setting out its authority and duties.

The principal roles and functions of the Audit Committee are set out in its terms of reference of Audit Committee which is made available on the respective websites of the Stock Exchange and the Company (www.scholding.com).

The Audit Committee is responsible for, inter alia, overseeing the accounting and financial reporting processes of the Group including the audits of the Group's financial statements on behalf of the Board; the appointment of the external auditor and approval of its fees; and reviewing and discussing the financial reporting system, risk management and internal control systems of the Company. It also reviews the Company's policies and practices on corporate governance and makes recommendations to the Board.

The Audit Committee currently has five members comprising four Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony (Chairman of the Audit Committee), Mrs. Tse Wong Siu Yin Elizabeth, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P. and one Non-executive Director, namely Ms. Li Yuen Yu Alice.

During the year under review, the Audit Committee met twice with the Company's senior management and the external auditor, where relevant, to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and performed the following:

1. Reviewed whistleblowing policy and system for employees and parties dealing with the Company to raise complaints, in confidence, to the Audit Committee about improprieties or irregularities relating to the Company and/or the Directors, the Company's senior management, employees or advisers.

2. Reviewed the appointment and remuneration of KPMG, the external auditor of the Company and its non-audit services provided to the Group.

3. Reviewed the audit plans, scopes, methods and reporting formats proposed by KPMG.

4. Reviewed the internal and external audit reports, and the response of the Company's senior management to the reported findings.

5. Reviewed the interim and annual financial statements, reports, and results announcement of the Group for the year under review prior to publication.

6. Reviewed the internal audit reports on risk management and internal control system.

7. Reviewed the continuing connected transactions.

8. Reviewed the Company's policies and practices on corporate governance.

9. Reviewed the pre-approval policy including procedures and conditions for permissible non-assurance services provided by the independent auditor.

10. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

There were two (2) private sessions between the Audit Committee and the external auditor without the presence of management in the Audit Committee meetings held in 2023.

REMUNERATION AND NOMINATION COMMITTEE

The Board has established its Remuneration and Nomination Committee with specific written terms of reference setting out its authority and duties.

The principal roles and functions of the Remuneration and Nomination Committee are set out in its terms of reference of Remuneration and Nomination Committee which is made available on the respective websites of the Stock Exchange and the Company (www.scholding.com).

The Remuneration and Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules, and making recommendations to the Board on appointment and re-appointment of Directors.

The Remuneration and Nomination Committee is also responsible for making recommendations to the Board on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the Company for approval by the Board. Directors' fees including allowances are benchmarked against other listed companies of similar size and industry, and commensurate with Directors' responsibilities and workload.

The Remuneration and Nomination Committee currently has five members comprising four Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (Chairman of the Remuneration and Nomination Committee), Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P. and one Non-executive Director, namely Ms. Li Yuen Yu Alice.

During the year under review, the Remuneration and Nomination Committee had performed the following:

1. Made recommendations to the Board on the remuneration packages of individual Executive Directors.

2. Reviewed the remuneration of Non-executive Directors (including Independent Non-executive Directors).

3. Reviewed the Group's remuneration policy.

4. Reviewed the structure, size and diversity of the Board.

5. Reviewed the confirmation of independence by the Independent Non-executive Directors.

6. Reviewed the re-election of the retiring Directors at the AGM held on 20 June 2023.

7. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration and Nomination Committee reviews the remuneration package annually, taking into consideration market practice, competitive market position and individual performance.

The Remuneration and Nomination Committee has adopted the model described in code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of Executive Directors and the Company's senior management.

The remuneration of each of the Non-executive Directors and Independent Non-executive Directors is determined by the Board under the recommendation of the Remuneration and Nomination Committee by reference to such Director's duties and responsibilities in the Group, time involvement and the prevailing market conditions.

NOMINATION POLICY

Objectives

The nomination policy (the "Nomination Policy") aims to provide the key selection criteria and principles for the Remuneration and Nomination Committee to identify and evaluate a candidate for recommendation to the Board for selection and appointment of a director of the Company, whether as an additional director or for replacement or otherwise.

Selection Criteria

The Remuneration and Nomination Committee shall consider a number of factors in assessing the suitability of a proposed candidate to the Board, including but not limited to the following:

(a) reputation for integrity;

(b) balance of skill, experience, expertise and personal qualities that will be best complement the relevant business sectors of the Company and the overall effectiveness of the Board;

(c) capability to devote adequate time for participation in meetings of the Board and all committees as delegated by the Board and attention to the Company's businesses, and commitment to the role;

(d) diversity in all aspects, including but not limited to gender, age, cultural, educational and professional background, skills, knowledge and experience;

(e) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and

(f) any other relevant factors as may be determined by the Remuneration and Nomination Committee or the Board from time to time.

Nomination Procedures

1. If the Board determines that an additional or replacement director is required, the Board will notify the Remuneration and Nomination Committee the criteria and deploy various channels (including but not limited to referral from the current directors and shareholders) to source directorship candidates.

2. The Remuneration and Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company for election to the Board and the appointment or re-appointment of Directors and succession plan for Directors are subject to the final approval of the Board.

3. On making recommendation, the Remuneration and Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. The proposal must clearly indicate the nominating intention; and the candidate's consent to be nominated and biographical details that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

4. The Board shall observe its Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board might consider relevant and applicable from time to time towards achieving diversity of the Board.

5. Any eligible shareholder of the Company who desires to nominate a person to stand for election as a Director at a general meeting must lodge a written nomination of the candidate together with such person's consent to be nominated and biographical details to the attention of the Board within the lodgment period as more particularly set out in the circular to the shareholders of the Company.

6. Where a retiring Director, being eligible, offers himself/herself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Monitoring and Review and Amendment of the Nomination Policy

1. The Remuneration and Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its effectiveness and compliance with regulatory requirements and good corporate governance practice.

2. The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Remuneration and Nomination Committee and approved by the Board.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with a comprehensive and tailored induction on appointment to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations. The Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development activities at the Company's expense to develop and refresh their knowledge and skills. To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the Year:

Name of Directors	Training on corporate governance, legal and regulatory requirements and other relevant topics
Executive Directors	
Mr. Ng Hung Sang	✓
Ms. Cheung Choi Ngor	✓
Mr. Ng Yuk Yeung Paul	✓
Non-executive Directors	
Ms. Ng Yuk Mui Jessica	✓
Mr. Ng Yuk Fung Peter	✓
Ms. Li Yuen Yu Alice	✓
Mr. Yu Pui Hang (*appointed on 17 January 2023*)	✓
Independent Non-executive Directors	
Mrs. Tse Wong Siu Yin Elizabeth	✓
Mr. Kam Yiu Shing Tony	✓
Ms. Pong Scarlett Oi Lan, BBS, J.P.	✓
Mr. Wong Chun Tat, J.P.	✓

COMPANY SECRETARY

Mr. Watt Ka Po James ("Mr. Watt") has been appointed as the company secretary of the Company (the "Company Secretary") pursuant to Rule 3.28 of the Listing Rules. Mr. Watt is a full-time employee of the Company who has day-to-day knowledge of the Group's affairs.

The Board has acknowledged that a company secretary plays a key role in advising the Company on corporate governance and other regulatory compliance matters. For discharging the aforesaid matters effectively and professionally, the Company Secretary must keep up-to-date with regulatory and legal developments relevant to the Company by means of continuous training and professional development. In addition, the Company Secretary has been regarded as a crucial conduit of communications between the Board and the senior management; the Company and the Shareholders; and the Company and the regulators.

Mr. Watt has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

BOARD EVALUATION

The Company's Board evaluation is an ongoing and continual process and is regarded as an important component of the mechanism to ensure independent views and inputs are available to the Board. In line with the best practice of the CG Code, Board evaluations in the form of a questionnaire are conducted on annual basis. In addition to the ongoing review by the Board, the Directors play an important role in evaluating the performance of the Board to ensure the effectiveness of the Board.

COMMUNICATION WITH SHAREHOLDERS

The Company attaches great priority to establishing effective communications with the Shareholders and investors. In an effort to enhance such communications, the Company uses general meeting, annual report, interim report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group.

The Company regards its annual general meetings as an opportunity for direct communications between the Board and the Shareholders. All Directors and external auditors make an effort to attend the annual general meetings to address shareholders' queries. The Company also responds to requests for information and queries from the shareholders and investors and welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management direct.

The Company has adopted a dividend policy, details of which are disclosed in the section headed "Dividend Policy" in the Directors' Report of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

An extraordinary general meeting shall also be convened and resolutions to a meeting agenda shall be added on a written requisition by one or more members, which shall include a recognised clearing house (or its nominee(s)), holding, as at the date of deposit of the requisition, not less than 10% of the paid up capital of the Company which carries the right of voting (on a one vote per share basis) at general meetings of the Company.

The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event that the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda and it shall be signed by the requisitionists. If the Board does not within twenty-one (21) days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further twenty-one (21) days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three (3) months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Putting Enquiries to the Board

The Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the Company's principal place of business in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong for Company Secretary to follow up.

Procedures for Putting Forward Proposals at General Meeting

There is no provision allowing the Shareholders to make proposals or move resolutions at the AGMs under the Articles or the laws of the Cayman Islands. The Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting in accordance with the section headed "Procedures for Shareholders to Convene an Extraordinary General Meeting" set out above.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, in order to comply with the amendments to Appendix 3 of the Listing Rules in relation to the enhanced listing regime for overseas issuers, certain minor housekeeping amendments were made to the Company's Articles of Assocation. An up-to-date consolidated version of the Memorandum and Articles of Association is available on the respective websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors of the Company. The latest data and information of the Group are timely updated on the Company's website at www.scholding.com.

Environmental, Social and Governance Report

South China Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") are committed to play our role that drives the awareness of Environmental, Social and Governance ("ESG") matters. In 2023, the Group continued our ESG strategy towards meeting our ESG key performance indicators.

The board of Directors of the Company (the "Board") sets directions and approves the Group's ESG report; reviews ESG progress updates at least once per financial year; and approves the results of materiality assessment and publication of the Group's ESG report, and is pleased to present this ESG Report for the year ended 31 December 2023 with reference to the requirements set out in Appendix C2 (Environmental, Social and Governance Reporting Guide) of the Listing Rules. It is recommended that this ESG Report is to read together with the Corporate Governance Report in the Company's Annual Report for the year ended 31 December 2023. This ESG Report was approved by the Board on 19 March 2024.

During the year under review, the Group continued to, strive to balance the impacts of environmental protection and social responsibility in the Group's strategic plans for the purpose of driving sustainable value for the Group's stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group's businesses, operation locations, share capital structure and supply chain structure during the year under review.

The Board takes ultimate responsibility for sustainable development at the Group. The Board is tasked with formulating policies and strategies and also ensuring ESG risks are integrated into the Group's risk management mechanisms and long-term business plans. To ensure effective implementation of the Group's ESG initiatives, the Board continues to provide direction and maintain oversight over the material ESG matters with the help of the management team. All sustainability disclosure, policies, goals and targets are reviewed and endorsed by the Board. The ESG targets and performance are also assessed by the Board on regular basis.

According to the financial results of the Group during the financial year of 2023, revenue from trading and manufacturing business accounted for approximately 91.60% of the Group's total revenue (2022: approximately 92.80%), in which revenue from toys manufacturing business (as an OEM) accounted for approximately 84.90% of the Group's total revenue (2022: approximately 85.10%). Given the significant revenue contribution to the Group by its toys manufacturing business, the scope of this ESG Report mainly covers the Group's principal toys production plants in the People's Republic of China (the "PRC") apart from the Group's headquarters in Hong Kong.

During the year under review, the Group's philosophy of "Healthy Life, Safe Environment and Bright Future" remained unchanged and requiring each of its major subsidiaries, especially its key production plants in the PRC, to strictly comply with relevant national and local laws, regulations, rules and procedures concerning environmental protection, employment and labour practices and operation practices. In addition, the Group's subsidiaries involving in toys manufacturing business are the members of the ICTI Ethical Toy Program ("IETP") and have strictly adhered to the Code of Business Practices of IETP by committing to factory operations in a lawful, safe and healthful manner. The following standards were upheld by the production plants all the time to support the rights and the well-being of factory workers during the year under review:

- Audit Process – transparent and auditors are allowed to conduct worker interviews without interference;
- Business Ethics – no improper influence the process and outcome of audit;
- Discrimination – no discrimination in recruitment, workplace or dismissal;
- Disciplinary Practices – employees are treated dignity and respect;
- Employee Representation – the right of freedom of association and collective bargaining are recognized are respected;
- Employment Practices – compliance with applicable employment regulations;
- Environment and Chemical Safety – compliance with environmental regulations and provision of training for handling chemicals;
- Modern Day Slavery – no forced, involuntary or prison labour;
- Safety – workplace conditions are safe and protective tools are provided;
- Underage Labour – no child labour;
- Wages – legal, fair and accurate pay without delay; and
- Working Hours – not excessive, adequate rest and break provided.

The Group's toys production plants will continuously and proactively look for and apply suitable advanced techniques in relevant stages of the production process. By introducing highly efficient equipment and simplifying operation procedures for the purpose of reduction of consumption in fuels, electricity and water such that resources could be used more effectively and in turn would be helpful for environmental protection.

REPORTING PRINCIPLES

This ESG report is prepared in accordance with the following standards:

(i) Materiality

This ESG Report provides key ESG issues which are identified as important to both the shareholders and investors of the Company.

(ii) Quantitative

Quantitative key performance indicators ("KPIs") with comparative data accompanied by narrative explanations on the purposes and impacts were disclosed for evaluation of the effectiveness of ESG policies and related systems.

(iii) Consistency

For achieving meaningful comparison of ESG performance of the Group over time, the Group used consistent methodologies in this Report.

The material aspects under the two ESG subject areas: 1. Environmental; and 2. Social are set out as follows:

1. ENVIRONMENTAL

1.1 Emissions

Environmental protection plays a crucial role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group's operations are located. Notwithstanding toys manufacturing industry is considered as light industry which usually does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by the following means:

(a) *Control of emission of greenhouse gases ("GHG")*

For strict compliance with IETP's Code of Business Practices and by reference to such relevant laws and regulations as《中華人民共和國大氣污染防治法》(Atmospheric Pollution Prevention and Control Law of the PRC*),《廣東省地方標準大氣污染物排放限值》(Emission Limits of Atmospheric Pollutants of Local Standard of Guangdong Province*) and《工業企業廠界環境噪聲排放標準》(Emission Standard of Environmental Noise for Industrial Enterprise and Factory Sectors*), the Group has formulated and implemented certain policies and controlling procedures such as《環境保護控制程序》(Environmental Protection Control Procedures*),《健康安全環保政策》(Health and Safety Environmental Protection Policy*),《溫室氣體量化與報告程序》(Greenhouse Gas Quantitative Reporting Procedures*) and《溫室氣體管理文件與記錄管理程序》(Greenhouse Gas Qualitative Management Procedures and Greenhouse Gas Documentation and Record Management Procedures*), for controlling emission of GHG, noise, light intensity, workplace temperature, water consumption and etc., and all such policies and controlling procedures were in force during the year under review.

For compliance with the relevant laws and regulations, the Group has continuously engaged in an independent third party whose qualifications are accredited by the local authorities in the PRC, to conduct regular tests on air quality, industrial emission, generator emission, noise and illumination levels in the workplaces for the purpose of ensuring all such data have complied with the national and local standards.

The Group is proactively reducing its wastage. Employees are encouraged to (a) use environmentally-friendly public transportation, e.g. MTR and trams for local travelling in Hong Kong, and use public transportation (especially underground rail) and car-pool for local travelling in the PRC; (b) use video/audio conferences for business meetings to reduce the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption and which in turn will be helpful for reduction of indirect emission of GHG.

Paper consumption is another main source of indirect GHG emissions. The Group has implemented a number of internal administrative measures to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waste paper collection for recycling, etc. In addition, the Group has encouraged customers and suppliers to communicate by electronic means. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the headquarters in Hong Kong at regular intervals.

In 2023, the Company is certified as "Hong Kong Green Organisation" by the Environmental Campaign Committee, the Environmental Protection Department for the fourth consecutive year.

Emission Summary:

Indicators	**2023** **Tonnes**	2022 Tonnes
Total GHG emissions[1]	**13,509**	12,959
Total GHG emissions		
– PRC plants	**13,300**	12,767
– Hong Kong headquarters	**209**	169
– Reduced by used papers recycling	**(32)**	(22)
Direct GHG Emissions (Scope 1):		
– Company cars[2]	**484**	421
– Diesel and Liquefied petroleum gas[3]	**0**	169
– Refrigerants	**595**	22
Energy indirect GHG Emissions (Scope 2):		
– Electricity	**12,329**	12,328
Other indirect GHG Emissions (Scope 3):		
– Business travel[4]	**60**	14
– Paper consumption	**41**	32

1. GHG mainly includes carbon dioxide.
2. It is based on kilometers travelled and liters of gasoline and diesel consumed.
3. It was consumed by water heaters and stoves.
4. It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

(b) *Control of production of hazardous and non-hazardous wastes*

The Group's production plants in the PRC produce certain wastes. By reference to such relevant laws and regulations as《中華人民共和國固體廢物污染環境防治法》(Solid Waste Environmental Pollution Prevention and Control Law of the PRC*),《廣東省固體廢物污染環境防治條例》(Solid Waste Environmental Pollution Prevention and Control Regulation of Guangdong Province*) and《三廢處理管理程序》(Three Wastes Treatment Management Procedures*) have been implemented for regular identification, evaluation and proper treatment of the wastes. In addition, the Group has engaged an independent third party whose qualifications are accredited by the local authorities in the PRC, to collect those wastes in the production plants for the purpose of effective control of waste treatment and avoidance of environmental pollution by reckless disposal. In the Hong Kong headquarters, areas are designated for disposal of electronic equipment and waste papers. Collections of scrapped electronic equipment and waste papers are usually taken place at a regular interval by independent third parties for ensuring proper treatment and re-cycling respectively.

Waste summary:

Indicators	**2023 Tonnes**	2022 Tonnes
Total water discharged[1] (m^3)	**375,206**	243,831
Hazardous wastes[2] collected for treatment/recycling in the PRC plants	**56,946**	21,805
Non-hazardous wastes[3] collected for treatment/recycling in the PRC plants	**405,693**	589,642
Electronic equipment (pieces)		
– PRC plants	**35**	63
– Hong Kong headquarters	**5**	38

1. It is based on the volume of water consumed as per the water bills for the facilities of the production plants in the PRC. Water consumption in the Hong Kong headquarters was not taken into account as it did not involve high water consumption.

2. Includes waste oil, waste water, oil wiping towels, and empty barrels and cans for solvents.

3. Includes waste wooden pallets, waste plastic bags, waste papers, waste paper products and general office garbage. All non-hazardous wastes are directly handled by the property management of the buildings in which the offices of Hong Kong headquarters are situated so that no data in this aspect.

1.2 Use of Resources

Fuel (unleaded petrol and diesel) consumption and electricity consumption are respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. The Group's production plants have their 節能減排小組 (Energy Conservation and Emission Reduction Team*) which is responsible for carrying out periodical analysis of effectiveness of resources management and consumption level for identification of any deficiency and any practicable way of reduction of energy consumption and prevention of unnecessary energy wastage for the purpose of enhancement of environmental protection. Moreover, the production plants continuously adhere to 《能源資源節約管理程序制度》(Regulations for Energy Resources Conservation Management Procedures*) as well as to implement certain measures of energy conservation as recommended by an accredited third-party.

The e-notice of "Save Our World and Build our Green Office" – saving water, energy and paper at work has continuously been in force in Hong Kong headquarters. In addition, another e-notice of "Environmental Initiative and Cost Saving" has been addressed to all staff in Hong Kong headquarters to maintain the air-conditioned room temperature of the office at 25 degrees Celsius for saving energy. Moreover, employees are encouraged to turn off lighting and office equipment when leaving their workplaces, especially off-duty.

Energy consumption summary:

Indicators	**2023**	2022
Total energy consumption (KWh)	**23,578,505**	21,343,185
Total energy consumption:		
– PRC plants	**23,296,642**	21,079,055
– Hong Kong headquarters	**281,863**	264,130
Direct energy consumption (KWh):		
– Unleaded petrol:		
– PRC plants	**1,116,947**	981,316
– Hong Kong headquarters	**68,855**	65,670
– Diesel:		
– PRC plants	**764,843**	648,897
– Hong Kong headquarters	**41,501**	91,984
– Liquefied Petroleum gas/gas oil:		
– PRC plants	**0**	0
– Hong Kong headquarters	**0**	4,657
Indirect energy consumption (KWh):		
– Electricity		
– PRC plants	**21,414,852**	19,448,842
– Hong Kong headquarters	**171,507**	303,932

The Group is committed to conserving clean water. PRC production plants are using water properly provided by the municipal government in the places where they are located. It is the Group's objective to control water pollution by proper waste water treatment. Waste water is mainly generated from machine cooling and cleaning in PRC production plants. The Hong Kong headquarters are operating in several leased office premises of which both water supply and discharge are controlled by the respective building management which does not provide any data in relation to volume of water consumed and discharged. The management fee of each of the leased premises paid to the respective building management includes fee for water supply and discharge. Energy Conservation and Emission Reduction Team in PRC production plants continuously implemented different measures to reduce water consumption, and the Group achieved reduction in total water consumption during the year under review as follows:

Water consumption summary:

Indicators	2023	2022
Total water consumption (m^3)	**375,206**	243,831
Total water consumption in PRC plants (m^3)	**375,206**	243,612
Expenses on water consumption in PRC plants (RMB)	**1,860,951**	1,208,316

The Group aims at operating its toys manufacturing business with maximum resources efficiency by minimizing unnecessary waste of materials in the production process. Being a responsible OEM, the Group is committed to complying with all specifications of all products stipulated in all contracts signed with its customers, including the nature and quality of all materials for each of the designated products (including the packaging materials for such products). Given the role of OEM, the materials (including packaging materials) used for manufacturing toys are contractually specified by its renowned multinational customers from the USA, Canada and Australia.

1.3 The Environmental and Natural Resources

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. Apart from the aforesaid policies, guidelines, procedures, and engagement of an independent organization for carrying out an energy audit on an annual basis, the Group from time to time promotes the awareness of "Energy Conservation, Start by Us" and "Energy Conservation Starting from Each Drop of Water and Each Unit of Electricity". In addition, PRC production plants have always observed the guidance of the facility's temperature as per the guidance document under IETP's Code of Business Practice. During the year under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in some applicable office areas were still in force and would be monitored and reviewed regularly pursuant to the environmental requirements. The Group continues to review and monitor its energy consumption performance, and identify energy saving measures to optimize energy use.

1.4 Climate Change

Climate change is one of the biggest challenges faced by the globe nowadays. We may face direct exposure to the physical impacts of climate change which could negatively affect (i) the supply of materials which in turn would affect our production schedules and (ii) shipment schedules resulting from any delay in production of finished goods.

The Group recognises the importance of the identification and mitigation of climate risks – physical risks and transition risks:

(a) Physical Risks

(i) Acute Physical Risk

High frequency and severity of weather events deeply disrupt business operations of the Group. Insurances should be in place to manage such physical risks.

(ii) Chronic Physical Risk

Longer-term changes in climate patterns that may cause chronic heat waves, however, the chronic physical risk would have less direct impact on our toy products.

(b) Transition Risks

Extensive policy, legal, technological and consumption behaviour changes will take place to mitigate and adapt to climate change. All such changes would lead to increase in costs of legal and compliance and costs of change of production machineries with lower emission of GHG which in turn would affect the profitability of the Group.

The Group has formulated the Climate Change Policy which outlines the Group's management on climate-related issues.

1.5 Environmental Protection

The Group has an indispensable obligation to start reducing carbon footprint and conserving our natural resources to fight climate change. The Group will gradually reduce our environmental footprint and continue to review market development and opportunities to enhance our performance.

(a) *Increase in Renewable Energy Adoption*

The Group installed high-efficiency solar photovoltaic panels at the Group's toys production plant, which is expected to generate 444,828 kWh annually.

(b) *Energy use efficiency*

At PRC Plants, the team replaced existing fluorescent light tubes with LED lights in the office area, staff dormitories and factories.

(c) *Water Recycling*

Our staff dormitories have recycling system in place. The recycling system collects, treats and reuses wastewater from our staff dormitories for toilet flushing purposes, annually recycling about 35,000 m^3.

(d) *Waste Generated during Manufacturing*

Hazardous waste is regularly collected and sent to recycling companies for proper treatment.

2. SOCIAL

Employment and Labour Practices

2.1 Employment

"People Oriented" is the Group's persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment. The Group cares for all employees, which has been endorsed by its compliance with the standards of IETP by its production facilities as the Group's PRC production plants have been certified by IETP CARE (Caring, Awareness, Responsible, Ethical) Process for its compliance since 2004.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship, etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees working in the headquarters in Hong Kong will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates.

The Group Human Resources Department will provide a guideline of the salary range of each category in light of the current market rate to each department head for reference to ensure that the salary range for each job category in the headquarters in Hong Kong remains competitive. And, the PRC production plants' annual budgets for various operation expenses have taken into account of the wages trend for the workers in the province in which such production plants are operating in the PRC. In addition, the Group is committed to comply with the code provisions contained in the Corporate Governance Code set out in Appendix C1 of the Listing Rules in force during the year, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force.

For (a) providing basic understanding of the Group's background, organization structures and business objectives; (b) safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and (c) adherence to the relevant policies, systems and procedures, etc., an orientation training will be provided for all newcomers by the Group Human Resources Department, and the Staff Handbook and the aforesaid policies are available in the Group's intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees.

The Group's PRC production plants are always in strict compliance with the relevant requirements as set out in IETP's Code of Business Practices. Furthermore, the PRC Staff Handbook for local Chinese employees is prepared in accordance with the relevant provisions in the Employment Contract Law of the PRC.

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 52, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480 in Hong Kong, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602, and of《中華人民共和國勞動合同法》(Employment Contract Law of the PRC*) and 《中華人民共和國勞動法》(Labor Law of the PRC*) in the PRC.

The Group's PRC production plants and Hong Kong headquarters had about 4,068 full-time employees as at 31 December 2023 of which 1,698 male and 2,370 female. Indicators of employment type of each gender, employees' age group of each gender and geographical region of employment of each gender during the years of 2023 and 2022 are as follows:

(a) Employment type and gender

Number of employees	**2023**		2022	
	Male	**Female**	Male	Female
Management and Department Head	**70**	**16**	50	17
Managerial	**124**	**62**	103	31
Supervisory	**171**	**153**	189	76
General Staff	**1,333**	**2,139**	2,105	3,463

(b) Employees' age group and gender

Number of employees	**2023**		2022	
	Male	**Female**	Male	Female
18 ~ below 30	**646**	**748**	513	904
30 ~ below 50	**861**	**1,337**	1,474	1,812
50 and over	**191**	**285**	460	871

(c) Geographical region of employment and gender

Number of employees	2023		2022	
	Male	**Female**	Male	Female
Hong Kong	**54**	**53**	93	58
PRC	**1,643**	**2,317**	2,354	3,529
Other	**1**	**0**	0	0

During the year under review to the total number of employees of the Group as at 31 December 2023, the overall employee turnover rate was 73%, while the employee turnover rate of our office operation was 15%.

2.2 Health and Safety

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation, which are all applicable to the offices of the Hong Kong headquarter. In view of the Group's manufacturing facilities in the PRC, both《環境健康安全管理程序》(Environmental Health and Safety Management Procedures*) and《危害能源控制程序》(Hazardous Energy Control Procedures*) are continuously adhered, and the Environmental Health and Safety Team keeps functioning by means of on-site communications and regular meetings for managing the environmental health and safety projects, regular assessment of the effectiveness, practicality and comprehensiveness of environmental, health and safety procedures, and timely update of all such procedures for the purposes of avoidance of accidents and continuous improvement in environment, health and safety. In order to prevent, control and eliminate occupational hazards and to raise the employees' awareness of occupational safety, both《職業健康管理制度》(Occupational Health Management System*) and《職業病管理制度》(Occupational Disease Management System*) formulated in accordance with《中華人民共和國職業病防治法》(Prevention and Treatment of Occupational Diseases Law of PRC*) and《使用有毒物品場所勞動保護條例》(Labour Protection for Workplace Using Toxic Substance Regulation*) are continuously adhered by providing, among other things, such protective gears as safety helmets, safety shoes, ear plugs and gas masks to workers, and medical check-ups for staff who are having high exposure to occupational disease are provided at pre-employment, under-employment (on an annual basis) and post-employment stages. It is the policy that staff having occupational contraindication or suspected occupational disease would be transferred out from their original posts for diagnosis and treatments for protection of health of workforce and production safety by reference to the advices from the occupational safety and health authority.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

The Group did not have any work-related fatalities in each of the past three years including 2023.

Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

Number of cases and lost days	**2023**	2022	2021
Number of reportable injuries[1]	**72**	97	122
Number of reportable occupational diseases[2]	**0**	3	2
Number of lost days due to reportable injuries	**111**	283	230
Number of lost days due to reportable occupational diseases	**0**	34	21

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong or to notify 社會保險行政部門 (social insurance administrative authorities*) pursuant to 工傷保險條例 (industrial injury insurance regulations*) in the PRC.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong or to notify 社會保險行政部門 (social insurance administrative authorities*) pursuant to 工傷保險條例 (industrial injury insurance regulations*) in the PRC.

2.3 Development and Training

For sustainable development of the Group and its employees, the Employees Training and Development Policy continued playing a key role during the year under review. The Group has arranged in-house training courses, e.g. induction orientation and on-the-job trainings, and other training courses and seminars conducted by third party providers in light of the employees' job requirements and the business objectives of the Group.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfilment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

PRC production plants have their 《員工培訓控制程序》(Staff Training Control Procedures*). The Human Resources Department will conduct training survey in the fourth quarter of each financial year for planning training programmes in the forthcoming year. It covers a wide range of topics, including pre-employment induction orientation, management, professional, technique, quality control and safety, which are provided by means of both internal and external sources for the purpose of enhancement of employees' professionalism and occupational skills.

Number of employees trained by employment type and gender during the years of 2023 and 2022 are as follows:

Number of employees	**2023**		2022	
	Male	**Female**	Male	Female
Management and Department Head	**23**	**4**	29	13
Managerial	**24**	**20**	73	16
Supervisory	**51**	**52**	185	68
General Staff	**1,528**	**2,250**	2,858	4,297

Average training hours completed per employee by employment type and gender during the years of 2023 and 2022 are as follows:

Average training hours per employee (hours)	**2023**		2022	
	Male	**Female**	Male	Female
Management and Department Head	**2**	**8**	1	2
Managerial	**1**	**2**	4	4
Supervisory	**1**	**1**	3	4
General Staff	**1**	**1**	2	2

The Group's Wah Shing Academy had provided various training courses substantially during the year under review.

Additionally, the Group highly values the continuous professional development of the directors and management. In the best interest of the Group, the Group will conduct various executive level training to support the executives to perform to the best of their capabilities and ensure quality leadership with good corporate governance practices.

2.4 Labour Standards

The Group strictly complies with the Employment Ordinance and《中華人民共和國勞動合同法》(Employment Contract Law of the PRC*) in respect of employment in Hong Kong and the PRC respectively. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees in the Hong Kong headquarters are aged 18 and above. In the PRC, the production plants have implemented their own《限制童工入廠辦法》(Minor Labour Hiring Control Practice*) which explicitly prohibits from hiring any labour aged under 16. It is a standard procedure in screening stage being adopted in Hong Kong and the PRC that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18 in Hong Kong and below 16 in the PRC. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible. In the case of any child labour is ascertained by any PRC production plant, such labour will be repatriated to their homes after medical check-up.

No child labour was hired or subsequently found in both 2023 and 2022.

Operating Practices

2.5 Supply Chain Management

As the supply chain management is crucial to the Group's sustainable operations, the Group from time to time manages the quality of its suppliers by means of its《供應商管理控制程序》(Supplier Management and Control Procedures*). Apart from the assessment of all potential suppliers and new suppliers designated by customers in form of capability of supply of materials, qualities of materials and prices of materials by the assessment team of the procurement department of each PRC production plant for the purpose of achieving fair, open and just selection of new suppliers, the procurement department of each PRC production plant is responsible for fostering all current key suppliers (a) to comply with all applicable laws and regulations in respect of their employment and operations, including occupational health and safety, environmental protection, and statutory maintenance of relevant records of documentation; (b) not to engage any corruption and take any undue advantage to obtain or retain business; (c) to protect intellectual property rights and safeguard customers' personal information; (d) not to engage any child and forced labour; and (e) not to discriminate age, gender, marital status, pregnancy, family status, race, nationality, religion and disability in employment, for the purpose of managing the supply chain in a socially and environmentally responsible manner. In the event of any violation of such business integrity as corruption or extortion, the Group will take all appropriate actions for safeguarding its interest, including immediate termination of contract with the supplier in default.

Looking ahead, the Group will pay attention to the environmental awareness of its suppliers and promotes sound environmental performance and governance practices amongst its business partners and suppliers. The Group encourages its business partners and suppliers to consider the risks posed to their operations form climate changes and to actively mitigate their environmental impacts during supplier conferences.

Number of key suppliers by geographical regions during the years of 2023 and 2022 is as follows:

	Number of key suppliers	
Geographical	**2023**	2022
Hong Kong	**156**	188
PRC	**328**	387
Others	**21**	21

2.6 Product Responsibility

The Group continues adhering to the principle of "Quality First, Customer Foremost" by closely monitoring its production processes and attending to the customers' needs. The Group is also committed to the quality of its products that meets both the local and international standards by maintaining a quality management system in accordance with the standards of ISO9001 Quality Management Systems. In addition, the manufacturing facilities in the PRC have obtained certifications from the International Certification Network (IQNet), China Quality Certification Centre (CQC) and Hong Kong Quality Assurance Agency (HKQAA). For continuing reinforcement of product quality, the Group conducts an annual review of the provisions of《質量手冊》(Quality Handbook*) for compliance with the international standards of ISO9001, which in turn strengthens the Group's competitiveness in the international market.

Some PRC production plants have their own testing laboratories which have been certified by its customers and China National Accreditation Service for Conformity Assessment (CNAS). These laboratories can provide professional examinations and reports in respect of reliability and safety measures covering product mechanical, physical and chemical aspects, and certain electronic aspects, for ensuring fulfilment of both quality and safety standards at the stages of research and development (R&D) and production set out by the Group's customers. Strong and reliable quality assurance helps the Group to gain recognition and credibility from its customers, which in turn further reinforces the Group's position in the international business market.

The procedures of product recall and customer complaints are set out in《產品召回程序》(Product Recall Procedures*) and《處理客戶投訴程序》(Customer Complaints Handling Procedures*) respectively for providing efficient after-sale services which are useful in maintaining customer satisfaction and helpful for lowering down the costs and losses if the recalls or complaints are remedied shortly.

The Group has maintained product acceptance rate at almost 100% during the year under review. No product recall due to safety or health reasons and no significant complaints in respect of defects during the year under review.

The Group from time to time observes the provisions of Copyright Ordinance, Cap. 528 of the Laws of Hong Kong, and respects intellectual property rights. As per the Information Technology Policy, employees are not allowed to install any unauthorized or unlicensed software into their working computers provided by the Group. Use of any materials which are in violation of the relevant law is strictly prohibited.

PRC production plants have implemented《敏感產品保密控制程序》(Classified Products Confidentiality Control Procedures*) which sets out stringent requirements in relation to responsible departments and personnel, execution of confidentiality agreement, classification and criteria of restricted areas, security management, information management, destruction of classified products, divulgence handling, record keeping, etc., for upholding confidentiality in each stage of R&D, processing, testing and delivery.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website (www.scholding.com). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486 of the Laws of Hong Kong. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

2.7 Anti-corruption

The Group is committed to conduct its business activities legally and ethically. Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK$500, and no violation of any applicable laws and ethical standards. The Group Internal Audit Department is responsible for reviewing and auditing the business activities.

PRC production plants have《員工行為準則政策與程序》(Employee Code of Conduct Policies and Procedures*) by reference to the provisions of Code of Conduct, which places emphasis on compliance with the relevant laws, e.g. Prevention of Bribery Ordinance, Cap. 201 of the Laws of Hong Kong, integrity maintenance and prohibition from involvement of any bribes, kickbacks, etc. During the year under review, there were no confirmed incidents in relation to corruption, and no suppliers' contracts were terminated or not renewed due to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website (www.scholding.com). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Head of Group Internal Audit, without the fear of incrimination. The Head of Group Internal Audit will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Head of Group Internal Audit will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on a biannual basis.

The Group plans to host regular trainings delivered by representatives from regulators and professionals to all Directors and employees in regards to anti-corruption policies and procedures so to maintain employees' awareness on anti-corruption best practices.

Community

2.8 Community Investment

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities who help people in need, organize charitable events and donating funds raised to local charities etc.

The Company has been consecutively conferred an award of "Caring Company" logo by The Hong Kong Council of Social Services, marking the recognition of the Group's continuous contribution to the Hong Kong community.

During the year under review, the Group (i) supported a number of charitable organizations including but not limited to Tung Wah Group of Hospitals ("TWGHs"); and (ii) "Food Distribution" for providing food to the underprivileged. In addition, the Group encourages staff to participate in organ donation organized by Department for Health.

In addition to direct support to charitable organizations, the Company encourages its employees and their families to support charities. Mrs. Ng Cheng Nga Yu Emmi (the spouse of Mr. Ng Yuk Yeung Paul, an executive director of the Company) is a director of TWGHs, heavily involved in many charitable services and fund raising activities.

The Group is also a keen supporter of youth development in Hong Kong. In 2023, the Group worked closely with many worthwhile organisations such as CDIA (Child Development Initiative Alliance).

The Group is a supporter of developing a healthy and green community. It dedicates its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc., it also participates in different events to contribute positivity to the communities in which it operates. In 2023, the Group was accredited the Green Logo by Hong Kong Green Organization and will continue to participate in different environmental activities to promote environmental friendly.

The specific record of the resources spent on community support was not available in this reporting year. Looking forward, the Group will continue to deliver on its commitments to social responsibility and respond to the needs of the communities through alternative ways.

*	For reference only (the official name is in Chinese)

Independent Auditor's Report

Independent auditor's report to the shareholders of South China Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of South China Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 81 to 195, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

<table>
<tr><th colspan="2">Valuation of investment properties</th></tr>
<tr><td colspan="2">Refer to note 13 to the consolidated financial statements and the accounting policies note 2.4(h).</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group holds a portfolio of investment properties located in Hong Kong and in certain cities across Chinese Mainland. The carrying value of these properties (including those under development) amounted to HK$9,428 million as at 31 December 2023.

Investment properties are stated at fair value. The fair values of the investment properties as at 31 December 2023 were assessed by the board of directors primarily based on valuations prepared by a qualified property valuer which take into account current rents or hypothetical rents and the reversionary potential of the tenancies of each property or comparable sales evidence as available in the relevant markets, where appropriate. The net changes in fair value of investment properties (including those under development) recognised in the consolidated statement of profit or loss amounted to HK$35 million for the year ended 31 December 2023.

We identified the valuation of the Group's investment properties as a key audit matter because these properties represent the majority of the Group's total assets and a small percentage error in the valuation of individual investment properties, when aggregated, could have a significant impact on the Group's profit before taxation for the year and because the valuations are inherently subjective and require significant judgement and estimates, particularly in selecting the appropriate valuation methodology and in determining market unit prices.</td><td>Our audit procedures to assess the valuation of the Group's investment properties included the following:

• obtaining and inspecting the valuation reports prepared by the qualified property valuer engaged by the Group and on which the directors' assessment of the fair values of investment properties was based;

• meeting the qualified property valuer, without the presence of management, and discussing the valuation methodology adopted with reference to the requirements of the prevailing accounting standards, challenging the key estimates and assumptions adopted in the valuations and assessing the qualified property valuer's qualifications, expertise and objectivity; and

• with the assistance of our internal property valuation specialists, comparing the key estimates and assumptions adopted in the valuation of investment properties, on a sample basis, including those relating to market unit prices, with available market data and government produced market statistics.</td></tr>
</table>

KEY AUDIT MATTERS *(Continued)*

Assessing the net realisable value of properties under development/completed properties for sale	
Refer to notes 16 and 17 to the consolidated financial statements and the accounting policies note 2.4(t)(ii).	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2023, the Group held properties under development/completed properties for sale in Chinese Mainland, which were stated at the lower of cost and net realisable value at an aggregate amount of HK$725 million. The calculation of the net realisable value of properties under development/completed properties for sale was assessed by the board of directors, and with reference to the valuation prepared by a qualified property valuer for the properties under development. Such calculation involves significant management judgement in assessing the expected future selling prices for each property (with reference to recent sales transactions in nearby locations and rates of new property sales). We identified the assessment of net realisable value of the Group's properties under development/completed properties for sale as a key audit matter because of the inherent risks involved in estimating future selling prices of each property development project.	Our audit procedures to assess the net realisable value of properties under development/completed properties for sale included the following: • assessing the qualifications and experience of the management and/or the qualified property valuer; • obtaining and inspecting management's valuation assessment and/or the valuation reports prepared by the qualified property valuer engaged by the Group and on which the management's assessment of the net realisable value of properties under development/completed properties for sale was based; • discussing with management and/or the qualified property valuer their valuation methodologies adopted with reference to the requirements of the prevailing accounting standards; and • with the assistance of our internal property valuation specialists, comparing the key estimates and assumptions adopted in the valuations, on a sample basis, including those relating to expected future selling prices, with available market data.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tsui Kin Wa.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023 *(Expressed in Hong Kong dollars)*

	Note	**2023** **$'000**	2022 $'000
Revenue	4	**2,887,385**	3,813,722
Cost of sales		**(2,408,028)**	(3,242,457)
Gross profit		**479,357**	571,265
Other income and gains, net	5	**179,679**	152,571
Net fair value loss on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**(35,434)**	(54,217)
Selling and distribution expenses		**(57,056)**	(66,902)
Administrative expenses		**(334,733)**	(310,370)
Profit from operations		**231,813**	292,347
Finance costs	7	**(266,745)**	(205,252)
Share of losses of associates		**(257)**	(419)
Share of profit of a joint venture		**–**	260
(Loss)/profit before tax	6	**(35,189)**	86,936
Income tax	10	**(7,250)**	(21,292)
(Loss)/profit for the year		**(42,439)**	65,644
Attributable to:			
Equity shareholders of the Company		**(31,846)**	74,734
Non-controlling interests		**(10,593)**	(9,090)
		(42,439)	65,644
(Loss)/earnings per share	11		
Basic		**HK (0.2) cents**	HK 0.6 cents
Diluted		**HK (0.2) cents**	HK 0.6 cents

The notes on pages 90 to 195 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023 *(Expressed in Hong Kong dollars)*

	2023 **$'000**	2022 $'000
(Loss)/profit for the year	**(42,439)**	65,644
Other comprehensive income		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of nil tax	**(160,987)**	(547,240)
Exchange reserve realised upon disposals of subsidiaries	**(1,424)**	–
Other comprehensive income for the year	**(162,411)**	(547,240)
Total comprehensive income for the year	**(204,850)**	(481,596)
Attributable to:		
Equity shareholders of the Company	**(181,535)**	(431,424)
Non-controlling interests	**(23,315)**	(50,172)
	(204,850)	(481,596)

The notes on pages 90 to 195 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023 *(Expressed in Hong Kong dollars)*

	Note	2023 $'000	2022 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**464,063**	528,258
Investment properties	13	**9,427,871**	9,660,128
Construction in progress		**150**	164
Investments in associates		**–**	257
Investment in a joint venture		**285**	49
Bearer plants		**16,626**	21,385
Other non-current assets	14	**219,069**	133,294
Total non-current assets		**10,128,064**	10,343,535
CURRENT ASSETS			
Inventories	16	**786,864**	965,784
Properties under development	17	**242,854**	246,817
Trade receivables	18	**372,774**	343,591
Prepayments, deposits and other receivables	19	**1,146,005**	1,161,552
Financial assets measured at fair value through profit or loss		**5,680**	12,371
Amounts due from associates	20	**5,145**	5,145
Amounts due from related companies	26	**28,424**	19,125
Tax recoverable		**831**	1,044
Cash and bank balances	21	**538,644**	438,262
Total current assets		**3,127,221**	3,193,691
CURRENT LIABILITIES			
Trade payables	23	**498,135**	576,316
Other payables and accruals	24	**539,911**	696,472
Interest-bearing bank borrowings	25	**2,085,209**	1,342,765
Lease liabilities	28	**55,641**	55,165
Amounts due to non-controlling shareholders of subsidiaries	29	**10,408**	10,423
Tax payable		**72,578**	90,347
Total current liabilities		**3,261,882**	2,771,488
NET CURRENT (LIABILITIES)/ASSETS		**(134,661)**	422,203
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,993,403**	10,765,738

Consolidated Statement of Financial Position

As at 31 December 2023 *(Expressed in Hong Kong dollars)*

	Note	**2023 $'000**	2022 $'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**1,688,023**	2,261,683
Lease liabilities	28	**291,076**	311,122
Amounts due to non-controlling shareholders of subsidiaries	29	**141**	7,941
Amounts due to related companies	27	**625,874**	566,374
Other non-current liabilities	30	**53,627**	55,037
Deferred tax liabilities	31	**1,044,847**	1,074,376
Total non-current liabilities		**3,703,588**	4,276,533
NET ASSETS		**6,289,815**	6,489,205
CAPITAL AND RESERVES			
Share capital	32(a)	**134,413**	134,413
Reserves	34	**5,862,871**	6,028,976
Total equity attributable to equity shareholders of the Company		**5,997,284**	6,163,389
Non-controlling interests		**292,531**	325,816
TOTAL EQUITY		**6,289,815**	6,489,205

Approved and authorised for issue by the board of directors on 19 March 2024.

Cheung Choi Ngor
Director

Ng Yuk Yeung Paul
Director

The notes on pages 90 to 195 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023 (*Expressed in Hong Kong dollars*)

	Attributable to equity shareholders of the Company																	
	Share capital																	
	Ordinary shares $'000	Redeemable convertible preference shares $'000	Share premium $'000	Contributed surplus $'000	Capital redemption reserve $'000	Merger reserve $'000	Land and buildings revaluation reserve $'000	PRC statutory reserves $'000	Treasury shares $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Goodwill reserve $'000	Exchange reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2022	132,213	2,200	1,482,177	508,172	223	(1,603,030)	72,995	10,965	(10,837)	(61,075)	5,891	(3,067)	354,646	–	5,662,158	6,553,631	343,964	6,897,595
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–	74,734	74,734	(9,090)	65,644
Other comprehensive income for the year:																		
Exchange differences on translation of financial statements of operations outside Hong Kong	–	–	–	–	–	–	–	–	–	–	–	–	(506,158)	–	–	(506,158)	(41,082)	(547,240)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	–	–	(506,158)	–	74,734	(431,424)	(50,172)	(481,596)
Contribution from non-controlling shareholders of subsidiaries (Note)	–	–	–	–	–	–	–	–	–	–	–	–	–	41,182	–	41,182	32,024	73,206
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	–	(8,701)	–	–	–	–	–	–	–	8,701	–	–	–
At 31 December 2022	132,213	2,200	1,482,177	508,172	223	(1,603,030)	64,294	10,965	(10,837)	(61,075)	5,891	(3,067)	(151,512)	41,182	5,745,593	6,163,389	325,816	6,489,205

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023 (*Expressed in Hong Kong dollars*)

	Attributable to equity shareholders of the Company																	
	Share capital																	
	Ordinary shares $'000	Redeemable convertible preference shares $'000	Share premium $'000	Contributed surplus $'000	Capital redemption reserve $'000	Merger reserve $'000	Land and buildings revaluation reserve $'000	PRC statutory reserves $'000	Treasury shares $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Goodwill reserve $'000	Exchange reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2023	132,213	2,200	1,482,177	508,172	223	(1,603,030)	64,294	10,965	(10,837)	(61,075)	5,891	(3,067)	(151,512)	41,182	5,745,593	6,163,389	325,816	6,489,205
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(31,846)	(31,846)	(10,593)	(42,439)
Other comprehensive income for the year:																		
Exchange differences on translation of financial statements of operations outside Hong Kong	–	–	–	–	–	–	–	–	–	–	–	–	(148,265)	–	–	(148,265)	(12,722)	(160,987)
Exchange reserve realised upon disposals of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(1,424)	–	–	(1,424)	–	(1,424)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	–	–	(149,689)	–	(31,846)	(181,535)	(23,315)	(204,850)
Transfer of employee share-based compensation reserve upon lapse of share options	–	–	–	–	–	–	–	–	–	–	(906)	–	–	–	906	–	–	–
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	5,460	5,460
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	15,430	–	15,430	(15,430)	–
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	–	(4,785)	–	–	–	–	–	–	–	4,785	–	–	–
At 31 December 2023	132,213	2,200	1,482,177	508,172	223	(1,603,030)	59,509	10,965	(10,837)	(61,075)	4,985	(3,067)	(301,201)	56,612	5,719,438	5,997,284	292,531	6,289,815

Merger reserve arose from the Group reorganisation in 1992 and the business combinations under common control in respect of the acquisitions of certain fellow subsidiaries in 2007 and certain related companies ultimately controlled by the substantial shareholder of the Company in 2011 and 2013.

\# Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

Note: During the year ended 31 December 2022, certain subsidiaries of the Group had received additional capital contribution from its non-controlling shareholders that resulted in a dilution of the Group's equity interest in those subsidiaries without losing control. Accordingly, the increase in non-controlling interests was accounted as equity transactions and the difference between the capital contribution and the carrying amount of the net assets acquired by the non-controlling shareholders has been recognised as other reserve.

The notes on pages 90 to 195 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023 *(Expressed in Hong Kong dollars)*

	Note	**2023 $'000**	2022 $'000
Operating activities			
(Loss)/profit before tax		**(35,189)**	86,936
Adjustments for:			
Finance costs	7	**266,745**	205,252
Share of losses of associates		**257**	419
Share of profit of a joint venture		**–**	(260)
Interest income	5	**(2,571)**	(3,466)
Gain on disposal of items of property, plant and equipment	5	**(307)**	(421)
Loss on disposal of construction in progress	5	**10**	–
Gain on disposal of an investment property	5	**–**	(37)
Gain on disposal of other non-current assets	5	**(4,106)**	(37,025)
Gain on disposals of subsidiaries	5	**(105,413)**	(56,986)
(Gain)/loss on disposal of leased assets	12	**(132)**	17
Net fair value loss on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**35,434**	54,217
Fair value loss/(gain) on financial assets measured at fair value through profit or loss		**839**	(336)
Fair value loss on foreign exchange forward contracts	6	**52,815**	15,100
Impairment loss on other non-current assets	6	**4,923**	–
Impairment loss on trade receivables, net	6	**377**	2,065
Impairment loss on other receivables	6	**115**	–
Write-back of other payables	5	**(21,583)**	(6,826)
Provision for inventories, net	6	**22,459**	11,328
Write-off of bearer plants	5	**449**	898
Depreciation	6	**110,593**	134,755
Changes in working capital:			
Decrease in inventories		**143,376**	296,753
Increase in properties under development		**(2,165)**	(3,784)
(Increase)/decrease in trade receivables		**(31,639)**	475,507
Increase in prepayments, deposits and other receivables and foreign exchange forward contracts		**(71,193)**	(38,432)
Increase in amounts due from related companies		**(9,050)**	(9,723)
Decrease in trade payables		**(75,835)**	(443,558)
(Decrease)/increase in other payables and accruals and foreign exchange forward contracts		**(134,548)**	22,610

Consolidated Cash Flow Statement

For the year ended 31 December 2023 *(Expressed in Hong Kong dollars)*

	Note	2023 $'000	2022 $'000
Cash generated from operations		**144,661**	705,003
Hong Kong Profits Tax paid		**(4,400)**	(15,926)
The People's Republic of China ("PRC") corporate income tax paid		**(15,736)**	(8,759)
Net cash generated from operating activities		**124,525**	680,318
Investing activities			
Payment for the purchase of items of property, plant and equipment		**(18,980)**	(40,387)
Additions to investment properties		**(8,694)**	(889)
Additions to financial assets measured at fair value through profit or loss		**–**	(5,769)
Advance to associates		**–**	(168)
(Advance to)/repayment from a joint venture		**(236)**	229
Interest received		**1,604**	3,466
Proceeds from disposal of items of property, plant and equipment		**2,892**	1,521
Proceeds from disposal of an investment property		**–**	5,944
Proceeds from disposals of subsidiaries		**68,295**	253,418
Proceeds from disposal of financial assets measured at fair value through profit or loss and other non-current assets		**12,674**	57,430
Net cash generated from investing activities		**57,555**	274,795

For the year ended 31 December 2023 (*Expressed in Hong Kong dollars*)

	Note	**2023 $'000**	2022 $'000
Financing activities			
Proceeds from new bank loans	21	**3,104,167**	3,326,263
Repayment of bank loans	21	**(3,018,848)**	(3,946,465)
Increase/(decrease) in trust receipt loans	21	**99,676**	(251,044)
Interest and other borrowing costs paid	21	**(228,536)**	(154,983)
Increase in amounts due to related companies	21	**69,500**	44,500
Repayment of amounts due to related companies	21	**(10,000)**	(101,763)
Increase in pledged bank deposits		**(11,076)**	(11,568)
Capital contributions from non-controlling shareholders of subsidiaries		**–**	73,206
(Decrease)/increase in amounts due to non-controlling shareholders of subsidiaries	21	**(938)**	252
Capital element of lease rentals paid	21	**(59,099)**	(74,917)
Interest element of lease rentals paid	21	**(23,939)**	(28,265)
Net cash used in financing activities		**(79,093)**	(1,124,784)
Net increase/(decrease) in cash and cash equivalents		**102,987**	(169,671)
Cash and cash equivalents at the beginning of the year		**406,578**	592,909
Effect of foreign exchange rate changes, net		**(3,320)**	(16,660)
Cash and cash equivalents at the end of the year		**506,245**	406,578
Analysis of balances of cash and cash equivalents			
Cash and bank balances	21	**538,644**	438,262
Less: Pledged bank deposits	25	**(32,399)**	(21,696)
Bank overdrafts	25	**–**	(9,988)
Cash and cash equivalents as stated in the consolidated cash flow statement		**506,245**	406,578

The notes on pages 90 to 195 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The principal subsidiaries are engaged in the trading and manufacturing of toys, property investment and development, and agriculture and forestry.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below. These financial statements are presented in Hong Kong dollars and all figures are rounded to the nearest thousand ("$'000") unless otherwise indicated.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

2.1 STATEMENT OF COMPLIANCE *(Continued)*

Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's investments in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

— investment properties, including interests in freehold or leasehold land and buildings held as investment property where the Group is the registered owner of the property interest;

— financial assets measured at fair value through profit or loss ("FVPL"); and

— derivative financial instruments.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.2 CHANGES IN ACCOUNTING POLICIES

(A) New and amended HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(A) New and amended HKFRSs *(Continued)*

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosures of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept on materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, *Income taxes, Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The amendments do not have a material impact on these financial statements as the Group does not offset temporary differences.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in note 31, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(A) New and amended HKFRSs *(Continued)*

Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*
The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. 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.

(B) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, and employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payments ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, *Employee Benefits* that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

This change in accounting policy did not have a material impact on the consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("2020 amendments")	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interest ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2.4(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.4(m)(ii)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, where by the Group or the Company has the right to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates or joint ventures are accounted for using the equity method, unless they are classified as held for sale (or included in a disposal group that is classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investments in associate or joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2.4(m)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 2.4(m)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Business combinations and goodwill

Business combinations, other than combinations of businesses under common control, 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 and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

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

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2.4(v). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2.4(v).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and the 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 the consideration transferred, the amount recognised for non-controlling interests and the fair value the Group's previously held equity interests in the acquiree 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 (see note 2.4(m)(ii)). 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.

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 disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2.4(x)(ii)(b)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial assets was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Other investments in equity securities *(Continued)*

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2.4(x)(ii)(c)).

(e) Fair value measurement

The Group measures its investment properties, financial assets measured at FVPL and derivative financial instruments 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.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

— Level 1, based on quoted prices (unadjusted) in active markets for identical assets or liabilities

— Level 2, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

— Level 3, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(f) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(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;

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(g) Property, plant and equipment (including bearer plants) and depreciation

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and impairment losses (see note 2.4(m)(ii)):

— interests in leasehold land and buildings where the Group is the registered owner of the property interest;

— right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including bearer plants and right-of-use assets arising from leases of underlying plant and equipment (see note 2.4(j)).

Certain leasehold land and buildings are stated in the consolidated statement of financial position at amounts based on revaluations performed prior to 30 September 1995, less subsequent accumulated depreciation and amortisation and any impairment losses.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment (including bearer plants) and depreciation *(Continued)*

In accordance with the transitional provisions of paragraph 80A of HKAS 16, *Property, plant and equipment*, the Group's land and buildings which were carried at revalued amounts in the financial statements relating to periods ended before 30 September 1995 are not required to be revalued regularly. Accordingly, no revaluation of land and buildings is carried out subsequent to 30 September 1995. In previous years, the revaluation surplus arising on the revaluation of these assets was credited to the land and buildings revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2.4(z)).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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

— Ownership interests in land and buildings	Over the shorter of the lease terms held for own use and 2% to 5%
— Other properties leased for own use	Over the unexpired periods of the leases
— Furniture and leasehold improvements	Over the shorter of the lease terms, where applicable, and 20%
— Machinery and equipment	10% to 25%
— Moulds and tools	20% to 25%
— Motor vehicles and vessels	20% to 25%
— Bearer plants	2% to 5%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Investment properties

Investment properties are initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss.

Any gain or loss on disposal of an investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 2.4(x)(ii)(a).

(i) Agricultural produce

Agricultural produce comprises winter date, lychee, pear, apple and other fruits on fruit trees.

Winter date, lychee, pear, apple and other fruits harvested from fruit trees are measured at their fair values less costs to sell at the time of harvest. The fair values of winter date, lychee, pear, apple and other fruits are determined based on market prices in the local area. Such measurement is the cost at that date when applying HKAS 2, *Inventories*.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

Fair value represents the estimated selling price that the Group can obtain from selling such inventories in the market on an arm's length basis.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *As a lessee*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(i) *As a lessee* (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.4(g) and 2.4(m)(ii)), except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value (see note 2.4(h)); and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value (see note 2.4(t)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profits or loss in the period in which the event or condition that triggers the rent concessions occurred.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(i) *As a lessee (Continued)*

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) *As a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2.4(x)(ii)(a).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2.4(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2.4(m)(i)).

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) Credit losses and impairment of assets

(i) *Credit losses from financial instruments and lease receivables*

The Group recognises a loss allowance for ECLs on the following items:

— financial assets measured at amortised cost (including cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from associates and related companies); and

— lease receivables.

Other financial assets measured at fair value, including financial assets measured at FVPL, equity securities measured at FVPL and derivative financial instruments, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) *Credit losses from financial instruments and lease receivables* (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from associates and related companies: effective interest rate determined at initial recognition or an approximation thereof;

— lease receivables: discount rate used in the measurement of the lease receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instruments is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowance for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(i) *Credit losses from financial instruments and lease receivables (Continued)*

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Credit losses and impairment of assets *(Continued)*

(ii) *Impairment of other non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than properties carried at revalued amounts, investment properties, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) *Interim financial reporting and impairment*

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2.4(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2.4(z).

(p) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.4(x)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2.4(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.4(x)(ii)(b)).

(q) 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 profit or loss.

(r) Offsetting of financial instruments

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Derivative financial instruments

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 profit or loss.

(t) Inventories

(i) *Trading and manufacturing of goods*

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) *Property development*

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— *Property under development for sale*

Cost of properties comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate portion of overheads and borrowing costs capitalised (see note 2.4(z)) and any other costs incurred in bringing the properties to their present location and condition.

Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Inventories *(Continued)*

(ii) *Property development (Continued)*

— *Completed property held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the completed properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 2.4(m)(i)).

(v) Provisions and contingent liabilities

(i) *Provisions and contingent liabilities*

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2.4(m)(ii)).

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities *(Continued)*

(i) *Provisions and contingent liabilities (Continued)*

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(w) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that is relates to a business combination, or recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investments in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the OECD.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Income tax *(Continued)*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with note 2.4(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset only if certain criteria are met.

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from sales of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Revenue from contracts with customers*

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) sales of goods — revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis;

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Revenue and other income *(Continued)*

(i) *Revenue from contracts with customers (Continued)*

(b) sales of properties — revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised on the basis that control over ownership of the property has been passed to the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 2.4(p)) included in other payables and accruals; and

(c) service income and management fee income — revenue is recognised when services are rendered.

(ii) *Revenue from other sources and other income*

(a) rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. 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 earned;

(b) interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis;

(c) dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established; and

(d) government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

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

(ii) *Defined benefit plan obligations*

The Group has the following two categories of defined benefit plans:

— defined benefit retirement plans registered under the Hong Kong Occupational Retirement Scheme Ordinance (the "ORSO plans")

— LSP under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For ORSO plans, the net obligation is after deducting the fair value of plan assets. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligation is performed using the projected unit credit method. For ORSO plans, when the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Employee benefits *(Continued)*

(ii) *Defined benefit plan obligations (Continued)*

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in ORSO plans (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) *Termination benefits*

The Group carries a provision for severance payment in accordance with the relevant regulations in Chinese Mainland. Compensation payable to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

(iv) *Share-based payment transactions*

— *Share option scheme and share award scheme*

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

The cost of equity-settled transactions with employees for grants of the Company's own equity instruments is measured by reference to the fair value at the date at which they are granted. The fair value of share options and awarded shares granted to employees in an equity-settled share-based payment transaction is recognised as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using a trinomial model, taking into account the terms and conditions upon which the options were granted (further details of which being set out in note 33 to the financial statements). In respect of awarded shares, the fair value is based on the closing price at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest. Where awarded shares are not the shares in the Company or its group entity, the grant of such shares does not constitute a share-based payment arrangement, and is accounted for as a financial liability.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Employee benefits *(Continued)*

(iv) *Share-based payment transactions (Continued)*

— *Share option scheme and share award scheme (Continued)*

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and awarded shares that are vested (with a corresponding adjustment to the employee share-based compensation reserve).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The equity amount for the share options is recognised in the employee share-based compensation reserve until either the option is exercised (whereupon it is transferred to share capital and the share premium account) or the option expires (whereupon it is released directly to retained profits).

— *Shares held for Share Award Scheme*

Where the shares of the Company are acquired under the Share Award Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for Share Award Scheme" and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average costs of the awarded shares vested are credited to "shares held for Share Award Scheme" and the related employment costs of the awarded shares vested are debited to the employee share-based compensation reserve. The difference between the related weighted average cost and the related employment costs of the awarded shares is transferred to retained profits.

Where the shares held for Share Award Scheme are revoked and the revoked shares are disposed of, the related gain or loss from disposal of revoked shares is transferred to retained profits and not recognised in profit or loss.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Employee benefits *(Continued)*

(iv) *Share-based payment transactions (Continued)*

— *Shares held for Share Award Scheme (Continued)*

Where cash or non-cash dividend distribution is declared in respect of the shares held for Share Award Scheme, such cash dividend or fair value of the non-cash dividend is transferred to retained profits with no gain or loss recognised in profit or loss.

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 payment transaction, 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. All cancellations of equity-settled transaction awards are treated equally.

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

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(aa) Foreign currencies

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

The functional currencies of certain subsidiaries and associates outside Hong Kong 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 the presentation currency of the Company 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 OCI and accumulated in the exchange reserve. On disposal of an operation outside Hong Kong, the component of OCI relating to that particular operation is recognised in profit or loss.

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(cc) Preference share capital

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following significant accounting judgements and estimates:

(i) Estimation of fair value of investment properties and investment properties presented as non-current assets classified as held for sale

At the end of each reporting period, investment properties and investment properties presented as non-current assets classified as held for sale are stated at fair value based on the valuations performed by an independent professionally qualified valuer. Such valuations were based on certain assumptions and estimates, which are subject to uncertainty and might materially differ from the actual results. In making estimation, information from current prices in an active market for similar properties has been considered and assumptions that are mainly based on the existing market conditions have been applied. Further details, including the key assumptions used for fair value measurement of investment properties are given in note 13 to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(ii) Estimated net realisable value of properties under development/completed properties for sale

In determining whether provisions should be made to the Group's properties under development/completed properties for sale, management performed a regular review on the carrying amounts of the properties under development/completed properties for sale. Based on the review of management, write-down of properties under development/completed properties for sale will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of properties under development/completed properties for sale, management refers to prevailing market data such as recent sales transactions, and/or the valuation reports prepared by the independent professionally qualified property valuer engaged by the Group, as bases for evaluation. No provision for losses was made for both the current and prior years.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. The estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(A) Revenue

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, sales of properties, the value of services rendered and gross rental income received and receivable from investment properties during the year.

(i) *Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2023 $'000	2022 $'000
Revenue from contracts with customers within the scope of HKFRS 15		
— Sale of merchandise from trading and manufacturing businesses	**2,644,312**	3,539,515
— Sale of completed properties	**67,901**	86,290
— Sale of agricultural produce	**2,222**	703
	2,714,435	3,626,508
Revenue from other sources		
— Gross rentals from investment properties	**172,950**	187,214
	2,887,385	3,813,722

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(B).

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

At 31 December 2023, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's property development project in Chinese Mainland pending transfer of control amounted to $7,773,000 (2022: $42,907,000) which will be recognised when the pre-sold properties are accepted by the customers. The Group will recognise the expected revenue in future on the basis that control over ownership of the property has been passed to the customer, which is expected to occur within the next twelve months.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(A) Revenue *(Continued)*

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date (Continued)*

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to its sale of merchandise from trading and manufacturing business and sale of agricultural produce to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date with performance obligation is part of a contract that has an original expected duration of one year or less.

(B) Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(i) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, footwear products and leather products;

(ii) the property investment and development segment is engaged in property investment and development;

(iii) the agriculture and forestry segment is engaged in the cultivation of fruit trees and crops, rearing of livestock and aquatic products, forestation and sale of relevant agricultural produces; and

(iv) the others segment mainly comprises, principally, the Group's investment holding related management functions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's (loss)/profit before tax except that share of profits and losses of associates and a joint venture and finance costs are excluded from such measurement.

Segment assets exclude investments in associates, investment in a joint venture and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(B) Segment reporting *(Continued)*

(a) *Business segments*

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2023 and 2022.

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue										
External sales	**2,644,312**	3,539,515	**240,851**	273,504	**2,222**	703	**–**	–	**2,887,385**	3,813,722
Segment results	**185,434**	236,041	**52,137**	102,600	**62,029**	(17,201)	**(67,787)**	(29,093)	**231,813**	292,347
Reconciliation:										
— Share of losses of associates									**(257)**	(419)
— Share of profit of a joint venture									**–**	260
— Finance costs									**(266,745)**	(205,252)
(Loss)/profit before tax									**(35,189)**	86,936

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(B) Segment reporting *(Continued)*

(a) *Business segments (Continued)*

	Note	Trading and manufacturing 2023 $'000	Trading and manufacturing 2022 $'000	Property investment and development 2023 $'000	Property investment and development 2022 $'000	Agriculture and forestry 2023 $'000	Agriculture and forestry 2022 $'000	Others 2023 $'000	Others 2022 $'000	Total 2023 $'000	Total 2022 $'000
Segment assets		**1,429,974**	1,539,307	**11,290,838**	11,629,228	**194,632**	222,953	**338,725**	144,388	**13,254,169**	13,535,876
Reconciliation:											
— Investments in associates										**–**	257
— Investment in a joint venture										**285**	49
— Tax recoverable										**831**	1,044
Total assets										**13,255,285**	13,537,226
Segment liabilities		**2,495,395**	2,418,810	**2,507,065**	2,682,442	**167,767**	190,266	**677,818**	591,780	**5,848,045**	5,883,298
Reconciliation:											
— Tax payable										**72,578**	90,347
— Deferred tax liabilities										**1,044,847**	1,074,376
Total liabilities										**6,965,470**	7,048,021
Other segment information:											
Capital expenditure		**25,128**	42,371	**8,805**	897	**655**	730	**48,637**	7,723	**83,225**	51,721
Depreciation		**59,269**	81,506	**6,369**	6,662	**26,414**	28,239	**18,541**	18,348	**110,593**	134,755
Provision for inventories, net	6 & 16	**22,459**	11,328	**–**	–	**–**	–	**–**	–	**22,459**	11,328
Impairment loss on trade receivables, net	6 & 18	**(4)**	(61)	**381**	2,126	**–**	–	**–**	–	**377**	2,065
Impairment loss on other non-current assets	6	**–**	–	**–**	–	**–**	–	**4,923**	–	**4,923**	–
Impairment loss on other receivables	6	**–**	–	**115**	–	**–**	–	**–**	–	**115**	–
Write-off of bearer plants	5	**–**	–	**–**	–	**449**	898	**–**	–	**449**	898

Capital expenditure consists of the amounts incurred for the additions to property, plant and equipment and investment properties, including the deposits and amounts prepaid for the above.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(B) Segment reporting *(Continued)*

(b) *Geographical segments*

(i) *Revenue from external customers*

	2023	2022
	$'000	$'000
PRC including Hong Kong and Macau	**312,391**	368,203
The United States of America	**1,692,028**	2,327,367
Europe	**623,293**	749,690
Japan	**21,354**	21,048
Others	**238,319**	347,414
	2,887,385	3,813,722

The revenue information above is based on the destination to which goods and services are delivered.

(ii) *Non-current assets*

	2023	2022
	$'000	$'000
Hong Kong	**3,572,165**	3,558,693
Chinese Mainland	**6,393,123**	6,701,986
Others	**1,846**	4,050
	9,967,134	10,264,729

The non-current assets information above is based on the location of assets, and excludes certain other non-current assets, investments in associates and investment in a joint venture.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(B) Segment reporting *(Continued)*

(b) *Geographical segments (Continued)*

(iii) *Information about major customers with revenue derived from whom amounted to 10% of the Group's revenue or above*

Revenue from customers of the corresponding years distributing over 10% of the total sales of the Group are as follows:

	2023 $'000	2022 $'000
Customer A	**1,389,875**	1,417,411
Customer B	**N/A**	420,730

5 OTHER INCOME AND GAINS, NET

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

	Note	**2023 $'000**	2022 $'000
Bank interest income		**1,864**	3,183
Other interest income		**707**	283
Write-back of other payables		**21,583**	6,826
Gain on disposal of items of property, plant and equipment		**307**	421
Loss on disposal of construction in progress		**(10)**	–
Gain on disposal of an investment property		**–**	37
Gain on disposal of other non-current assets		**4,106**	37,025
Gain on disposals of subsidiaries	42	**105,413**	56,986
Write-off of bearer plants		**(449)**	(898)
Subsidy income from government (note)		**8,458**	6,788
Income from sale of scrap materials		**2,543**	3,662
Others		**35,157**	38,258
		179,679	152,571

Note: In 2022, the Group successfully applied for funding support of $3,422,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding was to provide financial support to employers to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Group was required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 (LOSS)/PROFIT BEFORE TAX

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

	Note	2023 $'000	2022 $'000
Cost of inventories sold		**2,281,073**	3,148,794
Cost of completed properties sold		**51,681**	67,235
Depreciation			
— owned property, plant and equipment	12	**35,736**	41,604
— bearer plants		**1,500**	1,624
— right-of-use assets	12	**73,357**	91,527
		110,593	134,755
Auditor's remuneration			
— audit services		**3,863**	3,793
— non-audit services		**140**	167
		4,003	3,960
Employee benefits expenses (including directors' remuneration (note 8)):			
Contributions to defined contribution retirement schemes*		**51,625**	97,855
Salaries, wages and other benefits		**758,185**	1,084,700
		809,810	1,182,555
Less: Employee benefits expenses capitalised to properties under development:			
Contributions to defined contribution retirement scheme		**(72)**	(70)
Salaries, wages and other benefits		**(209)**	(336)
		809,529	1,182,149
Gross rental income from investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**(172,950)**	(187,214)
Less: Direct operating expenses		**24,473**	34,952
Net rental income		**(148,477)**	(152,262)
Impairment loss on trade receivables, net	18	**377**	2,065
Provision for inventories, net**	16	**22,459**	11,328

6 (LOSS)/PROFIT BEFORE TAX *(Continued)*

	2023 $'000	2022 $'000
Impairment loss on other non-current assets	**4,923**	–
Impairment loss on other receivables	**115**	–
Fair value loss on foreign exchange forward contracts***	**52,815**	15,100
Exchange gain, net	**(13,144)**	(51,765)

* At 31 December 2023 and 2022, the Group had no forfeited contributions available to reduce its contributions to the defined contribution retirement schemes in future years.

** The amount (included in cost of sales) represents the net change recognised in respect of provision against inventories to write down the inventories to their estimated net realisable values.

*** Fair value loss on foreign exchange contracts of $52,815,000 (2022: $15,100,000) was included in cost of sales.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2023 $'000	2022 $'000
Interest on bank loans, overdrafts and other borrowings	**242,806**	178,422
Interest on lease liabilities	**23,939**	28,265
Less: Amounts capitalised*	–	(1,435)
	266,745	205,252

* For the year ended 31 December 2022, the borrowing costs had been capitalised at a weighted average rate of 4.04% per annum.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION

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

	2023	2022
	$'000	$'000
Fees	**826**	915
Other emoluments:		
— Salaries, allowances and benefits in kind	**8,724**	7,828
— Discretionary bonuses	**–**	–
— Retirement scheme contributions	**274**	229
	8,998	8,057
	9,824	8,972

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
	$'000	$'000
Mr. Chiu Sin Chun (Retired on 21 June 2022)	**–**	47
Mrs. Tse Wong Siu Yin Elizabeth	**100**	100
Mr. Kam Yiu Shing Tony	**100**	100
Ms. Pong Scarlett Oi Lan, BBS, J.P.	**100**	100
Mr. Wong Chun Tat, J.P. (Appointed on 15 February 2022)	**100**	88
	400	435

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

8 DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

2023

	Fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total remuneration $'000
Executive directors:					
Mr. Ng Hung Sang	10	1,344	–	67	1,421
Ms. Cheung Choi Ngor	10	3,780	–	189	3,979
Mr. Ng Yuk Yeung Paul	10	3,600	–	18	3,628
	30	8,724	–	274	9,028
Non-executive directors:					
Ms. Ng Yuk Mui Jessica	100	–	–	–	100
Mr. Ng Yuk Fung Peter	100	–	–	–	100
Ms. Li Yuen Yu Alice	100	–	–	–	100
Mr. Yu Pui Hang (Appointed on 17 January 2023)	96	–	–	–	96
	396	–	–	–	396
	426	8,724	–	274	9,424

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors *(Continued)*

2022

	Fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total remuneration $'000
Executive directors:					
Mr. Ng Hung Sang	10	448	–	22	480
Ms. Cheung Choi Ngor	10	3,780	–	189	3,979
Mr. Ng Yuk Yeung Paul	10	3,600	–	18	3,628
	30	7,828	–	229	8,087
Non-executive directors:					
Ms. Ng Yuk Mui Jessica	100	–	–	–	100
Mr. Ng Yuk Fung Peter	100	–	–	–	100
Mr. David Michael Norman (Resigned on 31 December 2022)	150	–	–	–	150
Ms. Li Yuen Yu Alice	100	–	–	–	100
	450	–	–	–	450
	480	7,828	–	229	8,537

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

The executive directors of the Company constitute senior management of the Group.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2022: two) directors whose remuneration is set out in details in note 8 above. Details of the remuneration of the remaining three (2022: three) highest paid employees for the year are set out below:

	2023	2022
	$'000	$'000
Salaries, allowances and benefits in kind	**6,598**	6,778
Discretionary bonus	**1,900**	–
Retirement scheme contributions	**126**	54
	8,624	6,832

The remuneration of the aforesaid remaining three (2022: three) highest paid employees fell within the following bands:

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

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in respective countries/jurisdictions in which the Group operates.

	2023 $'000	2022 $'000
Current — Hong Kong		
Charge for the year	**2,288**	6,280
Over-provision in prior years	**(68)**	(40)
Current — Chinese Mainland		
Charge for the year	**13,969**	7,558
Over-provision in prior years	**(12,984)**	(1,488)
Deferred tax (note 31)	**4,045**	8,982
Total tax charge for the year	**7,250**	21,292

A reconciliation of the notional tax expense on the Group's (loss)/profit before tax at the Hong Kong Profits Tax rate to the actual tax expense is as follows:

	2023 $'000	2022 $'000
(Loss)/profit before tax	**(35,189)**	86,936
Notional tax at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	**(5,806)**	14,344
Effect of different tax rates of subsidiaries operating in Chinese Mainland	**8,103**	4,874
Tax effect of share of losses of associates	**42**	69
Tax effect of non-deductible expenses	**36,762**	23,837
Tax effect of non-taxable income	**(38,409)**	(39,095)
Tax effect of unused tax losses not recognised	**22,234**	20,922
Tax effect of prior years' unrecognised tax losses utilised	**(930)**	(3,884)
Over-provision in prior years	**(13,052)**	(1,528)
Others	**(1,694)**	1,753
Total tax charge for the year	**7,250**	21,292

11 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the year attributable to equity shareholders of the Company of $31,846,000 (2022: profit $74,734,000), and the weighted average number of ordinary shares of 12,982,892,000 (2022: 12,982,892,000) in issue after deducting shares held for the Share Award Scheme and treasury shares.

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic (loss)/earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on vesting, and the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2023	2022
	$'000	$'000
(Loss)/earnings		
(Loss)/profit attributable to equity shareholders of the Company used in the basic and diluted (loss)/earnings per share calculation	**(31,846)**	74,734

	Number of shares	
	2023	2022
	'000	'000
Shares		
Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation	**12,982,892**	12,982,892
Effect of redeemable convertible preference shares	**–**	219,951
Effect of shares held for Share Award Scheme	**–**	206,161
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	**12,982,892**	13,409,004

The Company's share options have no dilution effect for the years ended 31 December 2023 and 2022 because the exercise price of the Company's share options was higher than the average market price of the shares for both years and the share options are therefore anti-dilutive.

Diluted loss per share equals to basic loss per share for the year ended 31 December 2023 because the potential ordinary shares outstanding were anti-dilutive.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use $'000	Other properties leased for own use $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
Cost or valuation:							
At 1 January 2023	264,662	628,475	383,932	343,389	23,711	28,760	1,672,929
Exchange realignment	(2,062)	(13,821)	(975)	(828)	–	(299)	(17,985)
Additions	655	3,670	9,471	8,722	131	–	22,649
Adjustment from lease modification	–	48,118	–	–	–	–	48,118
Disposals of subsidiaries (note 42)	(12,802)	–	(17)	(254)	–	(136)	(13,209)
Disposals and written off	–	(84,394)	(28,440)	(37,294)	(829)	(3,003)	(153,960)
At 31 December 2023	250,453	582,048	363,971	313,735	23,013	25,322	1,558,542
Analysis of cost or valuation:							
At cost	202,944	582,048	363,971	313,735	23,013	25,322	1,511,033
At 31 December 1988 valuation	31,112	–	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	–	10,973
	250,453	582,048	363,971	313,735	23,013	25,322	1,558,542
Accumulated depreciation and impairment:							
At 1 January 2023	156,921	304,629	335,523	298,144	22,452	27,002	1,144,671
Exchange realignment	(846)	(6,385)	(686)	(710)	–	(273)	(8,900)
Depreciation provided during the year (note 6)	8,006	65,351	16,497	18,040	656	543	109,093
Disposals of subsidiaries (note 42)	(2,216)	–	(17)	(241)	–	(136)	(2,610)
Disposals and written off	–	(80,794)	(25,992)	(37,169)	(827)	(2,993)	(147,775)
At 31 December 2023	161,865	282,801	325,325	278,064	22,281	24,143	1,094,479
Net book value:							
At 31 December 2023	88,588	299,247	38,646	35,671	732	1,179	464,063

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Ownership interests in land and buildings held for own use $'000	Other properties leased for own use $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
Cost or valuation:							
At 1 January 2022	259,025	675,245	374,841	347,535	23,767	30,115	1,710,528
Exchange realignment	(7,252)	(46,758)	(2,945)	(2,796)	–	(1,024)	(60,775)
Additions	13,867	4,676	18,050	14,312	318	259	51,482
Adjustment from lease modification	–	90	–	–	–	–	90
Disposal of a subsidiary (note 42)	–	–	(3,495)	–	–	–	(3,495)
Disposals and written off	(978)	(4,778)	(2,519)	(15,662)	(374)	(590)	(24,901)
At 31 December 2022	264,662	628,475	383,932	343,389	23,711	28,760	1,672,929
Analysis of cost or valuation:							
At cost	217,153	628,475	383,932	343,389	23,711	28,760	1,625,420
At 31 December 1988 valuation	31,112	–	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	–	10,973
	264,662	628,475	383,932	343,389	23,711	28,760	1,672,929
Accumulated depreciation and impairment:							
At 1 January 2022	152,687	241,083	325,363	293,686	21,791	27,626	1,062,236
Exchange realignment	(2,664)	(16,464)	(2,218)	(2,265)	–	(937)	(24,548)
Depreciation provided during the year (note 6)	7,593	83,934	17,366	22,300	1,035	903	133,131
Disposal of a subsidiary (note 42)	–	–	(3,491)	–	–	–	(3,491)
Disposals and written off	(695)	(3,924)	(1,497)	(15,577)	(374)	(590)	(22,657)
At 31 December 2022	156,921	304,629	335,523	298,144	22,452	27,002	1,144,671
Net book value:							
At 31 December 2022	107,741	323,846	48,409	45,245	1,259	1,758	528,258

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2023 $'000	2022 $'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost, with remaining lease term of:	(i)		
— between 10 and 50 years in Hong Kong		**8,076**	9,122
— between 10 and 50 years in Chinese Mainland		**80,512**	98,619
		88,588	107,741
Other properties leased for own use, carried at depreciated cost	(ii)	**299,247**	323,846
		387,835	431,587

The analysis of expense/(income) items in relation to leases recognised in profit or loss is as follows:

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings held for own use	**8,006**	7,593
Other properties leased for own use, carried at depreciated cost	**65,351**	83,934
	73,357	91,527
Interest on lease liabilities (note 7)	**23,939**	28,265
Expenses relating to short-term leases	**5,340**	15,224
(Gain)/loss on disposal of leased assets	**(132)**	17

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Right-of-use assets *(Continued)*

During the year ended 31 December 2023, additions to right-of-use assets were $3,670,000 (2022: $4,676,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21 and 28 respectively.

(i) *Ownership interests in leasehold land and buildings held for own use*

The Group holds land and buildings for its toys manufacturing business, where its manufacturing facilities and office premises are primarily located. Lump sum payments were made upfront to acquire the right to use of these land and buildings, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. The payments vary from time to time and are payable to the relevant government authorities.

The Group is in the process of applying the land use right certificates for certain leasehold land in Chinese Mainland on which buildings with carrying amount of $14,638,000 (2022: $15,593,000) as at 31 December 2023 were erected. The directors do not expect any legal obstacle in obtaining the relevant title certificates.

Certain of the Group's ownership interests in leasehold land and buildings were revalued on or before 31 December 1994. The land and buildings were revalued at open market value based on their existing use. Since 1995, no further revaluation of the Group's ownership interests in leasehold land and buildings has been carried out as the Group has relied on the exemption from the requirement to carry out future revaluation of its property, plant and equipment, which were stated at valuation at that time, granted under the transitional provisions in paragraph 80A of HKAS 16.

Had the ownership interests in leasehold land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's ownership interests in leasehold land and buildings at 31 December 2023 would have been $83,371,000 (2022: $87,539,000).

At 31 December 2023 and 2022, certain of the Group's property, plant and equipment, including the ownership interest in leasehold land and buildings were pledged to secure the banking facilities granted to the Group (note 25).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Right-of-use assets *(Continued)*

(ii) *Other properties leased for own use*

The Group leases several industrial buildings for its trading and manufacturing business, where its manufacturing facilities are primarily located. The Group has obtained the right to use other properties as its warehouses and office premises through tenancy agreements. The leases typically run for an initial period of 1 to 50 years. Lease payments are usually increased every 2 to 3 years to reflect market rentals.

The Group has obtained the right to use agricultural land for its agriculture and forestry business, where its bearer plants are primarily located, through tenancy agreements. The leases typically run for an initial period of 14 to 70 years.

Some leases include an option to terminate the lease during the period of the contract term. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination options. If the Group is not reasonably certain not to exercise the termination options, the future lease payments during the periods with termination options exercisable are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted) $'000	**Potential future lease payments under termination options not included in lease liabilities (undiscounted)** $'000
Leasehold Land — the Chinese Mainland		
— At 31 December 2023	**128,949**	**728,248**
— At 31 December 2022	154,678	747,522

13 INVESTMENT PROPERTIES

(a) Investment properties

	Completed investment properties $'000	Investment properties under development $'000	Total $'000
At 1 January 2023	**9,472,838**	**187,290**	**9,660,128**
Exchange realignment	**(154,417)**	**(4,858)**	**(159,275)**
Additions	**–**	**8,694**	**8,694**
Disposal of a subsidiary	**(46,242)**	**–**	**(46,242)**
Net fair value loss on investment properties	**(33,886)**	**(1,548)**	**(35,434)**
At 31 December 2023	**9,238,293**	**189,578**	**9,427,871**
At 1 January 2022	10,021,601	209,792	10,231,393
Exchange realignment	(513,889)	(19,921)	(533,810)
Additions	–	889	889
Disposal	(5,907)	–	(5,907)
Net fair value loss on investment properties	(28,967)	(3,470)	(32,437)
At 31 December 2022	9,472,838	187,290	9,660,128

13 INVESTMENT PROPERTIES *(Continued)*

(a) Investment properties *(Continued)*

	2023 **$'000**	2022 $'000
Ownership interests in leasehold investment properties (including under development), carried at fair value, with remaining lease term of:		
Hong Kong:		
— 50 years or more	**551,902**	554,502
— between 10 and 50 years	**2,938,110**	2,951,410
	3,490,012	3,505,912
Chinese Mainland:		
— between 10 and 50 years	**5,937,859**	6,154,216
	9,427,871	9,660,128

The Group's investment properties were revalued on 31 December 2023 and 2022 by Ravia Global Appraisal Advisory Limited, an independent professionally qualified valuer, at $9,427,871,000 (2022: $9,660,128,000) in aggregate, on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 38 to the financial statements.

At 31 December 2023 and 2022, certain investment properties of the Group were pledged and mortgaged to secure the banking facilities granted to the Group (note 25).

As 31 December 2023, certain investment properties of the Group with an aggregate value of $115,098,000 (2022: $118,144,000) were pledged to secure the employees resettlement reserve funds (included in provision for severance payments (note 30)) for certain subsidiaries of the Group.

13 INVESTMENT PROPERTIES *(Continued)*

(a) Investment properties *(Continued)*

The Group is in the process of applying the land use right certificates in respect of certain investment properties of the Group located in Chinese Mainland amounting to $579,196,000 as at 31 December 2023 (2022: $598,688,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

At the end of each reporting period, the Group's management has discussion with the valuer on the valuation methodology and valuation results when the valuation is performed for financial reporting purposes. The investment properties comprised commercial and industrial properties.

Further particulars of the Group's investment properties are included on pages 197 to 203.

(b) Fair value hierarchy

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

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Fair value at 31 December 2023 $'000
Recurring fair value measurement for:				
Commercial properties	–	–	8,645,563	8,645,563
Industrial properties	–	–	782,308	782,308
	–	–	9,427,871	9,427,871

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value hierarchy *(Continued)*

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Fair value at 31 December 2022 $'000
Recurring fair value measurement for:				
Commercial properties	–	–	8,827,533	8,827,533
Industrial properties	–	–	832,595	832,595
	–	–	9,660,128	9,660,128

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).

13 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value hierarchy *(Continued)*

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

	Commercial properties $'000	**Industrial properties $'000**
At 1 January 2023	**8,827,533**	**832,595**
Exchange realignment	**(150,683)**	**(8,592)**
Additions	**–**	**8,694**
Disposal	**–**	**(46,242)**
Net fair value loss	**(31,287)**	**(4,147)**
At 31 December 2023	**8,645,563**	**782,308**
At 1 January 2022	9,363,500	867,893
Exchange realignment	(503,751)	(30,059)
Additions	–	889
Disposal	(5,907)	–
Net fair value loss	(26,309)	(6,128)
At 31 December 2022	8,827,533	832,595

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties within Level 3 of the fair value hierarchy:

Properties	Valuation techniques	Unit price/unit construction cost
Situated in Hong Kong		
— Commercial	Comparison approach	$5,615 — $27,812 per square foot (2022: $5,787 — $25,493 per square foot)
— Industrial	Comparison approach	$3,843 — $5,918 per square foot (2022: $3,585 — $5,678 per square foot)
Situated in Chinese Mainland		
— Commercial	Comparison approach	Renminbi ("RMB") 4,167 — RMB53,600 per square metre (2022: RMB4,630 — RMB50,000 per square metre)
— Industrial	Comparison approach	RMB2,167 — RMB13,300 per square metre (2022: RMB1,636 — RMB13,500 per square metre)
— Industrial	Depreciated replacement cost ("DRC") approach	RMB1,163 — RMB2,833 per square metre (2022: RMB1,010 — RMB2,537 per square metre)

Under the comparison approach, the properties are valued on market basis assuming sales in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Appropriate adjustments are then made to account for the differences between such properties and their respective comparables in terms of age, time, location, floor level and other relevant factors.

For certain properties in the Chinese Mainland, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison approach. The DRC approach is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In practice, DRC approach may be used as a substitute for the market value of specialised property, due to the lack of market comparables available.

Fair values of investment properties will increase if there were increases in unit price or construction cost.

14 OTHER NON-CURRENT ASSETS

As at 31 December 2023, other non-current assets included a convertible bond receivable with a carrying value of $85,783,000, which was issued by a related company controlled by substantial shareholders, who are also directors of the Company.

The convertible bond has a maturity date of 3 years from the date of issue, i.e. 13 January 2023, and is unsecured and interest-bearing at 1% per annum. The conversion right shall only be exercisable with the mutual consent of the issuer and the holder of the convertible bond.

15 INVESTMENTS IN SUBSIDIARIES

The Company has set up a trust for the purpose of administering the Share Award Scheme established by the Company in 2011. The Company is required to consolidate the trust as the Company has the power over the trust and can derive benefits from the contributions of employees who have been awarded the awarded shares through their employment with the Group.

Shares of certain indirect wholly-owned subsidiaries of the Company were pledged and mortgaged to secure the banking facilities granted to the Group (note 25).

Details of the principal subsidiaries are set out in note 44.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2023	2022
Percentage of equity interest held by non-controlling equity holders:		
— 遼寧長盛置業有限公司	**20%**	20%
Loss for the year allocated to non-controlling interests:	**$'000**	$'000
— 遼寧長盛置業有限公司	**(2,599)**	(1,281)
Accumulated balances of non-controlling interests at the reporting dates:	**$'000**	$'000
— 遼寧長盛置業有限公司	**288,354**	302,593

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations.

	2023 遼寧長盛置業有限公司 $'000	2022 遼寧長盛置業有限公司 $'000
Revenue	**6,422**	6,719
Loss for the year	**(12,993)**	(6,405)
Other comprehensive income for the year	**(58,186)**	(195,714)
Total comprehensive income for the year	**(71,179)**	(202,119)
Current assets	**174,521**	170,038
Non-current assets	**2,722,796**	2,808,938
Current liabilities	**(205,505)**	(201,988)
Non-current liabilities	**(501,797)**	(515,794)
Net cash generated from operating activities	**653**	724
Net cash generated from investing activities	**1**	2
Net cash used in financing activities	**(658)**	(731)

As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen Limited was completed on 16 January 2013. The principal subsidiary of Splendor Sheen Limited is 遼寧長盛置業有限公司 (formerly 遼寧大發房地產有限責任公司) which is owned as to 80% by Splendor Sheen Limited and 20% by the non-controlling shareholders (the "Non-controlling Shareholders").

Two agreements dated 27 December 2011 and 28 October 2012, respectively, were signed by the shareholders of 遼寧長盛置業有限公司. Pursuant to the aforesaid agreements, the parties thereto agreed to make additional pro-rata capital contribution to 遼寧長盛置業有限公司 with reference to respective parties' equity ownership percentage in 遼寧長盛置業有限公司 in the aggregate amounts of RMB608,000,000 for the Group and RMB152,000,000 for the Non-controlling Shareholders. Up to 31 December 2023, the Group has injected RMB607,349,000 (up to 31 December 2022: RMB607,349,000), equivalent to approximately $749,143,000 (up to 31 December 2022: equivalent to approximately $749,143,000), in aggregate to 遼寧長盛置業有限公司 under the capital contribution obligation as referred to in the above. The Non-controlling Shareholders, however, have not made any payment for their respective additional capital contribution obligations up to 31 December 2023. As such, the abovementioned outstanding capital contributions from the Non-controlling Shareholders have not been recognised in equity as non-controlling interests in 遼寧長盛置業有限公司 of $302,593,000 and $288,354,000 as carried in the consolidated statement of financial position as at 31 December 2022 and 2023, respectively.

16 INVENTORIES

	2023 $'000	2022 $'000
Trading and manufacturing		
Raw materials	**123,904**	169,860
Work in progress	**103,480**	135,523
Finished goods	**122,883**	140,835
	350,267	446,218
Provision against obsolete inventories	**(45,830)**	(28,282)
	304,437	417,936
Property development		
Completed properties for sale	**482,427**	547,848
	786,864	965,784

	2023 $'000	2022 $'000
Ownership interests in leasehold land included in completed properties for sale carried at the lower of cost and net realisable value, with remaining lease term of:		
Chinese Mainland:		
— between 10 and 50 years	**130,497**	144,630

The movements in provision against obsolete inventories are as follows:

	2023 $'000	2022 $'000
At 1 January	**28,282**	26,349
Exchange realignment	**(103)**	(348)
Provision recognised (note 6)	**22,459**	11,328
Written off	**(4,808)**	(9,047)
At 31 December	**45,830**	28,282

As at 31 December 2023 and 2022, certain inventories of the Group were pledged to secure the banking facilities granted to the Group (note 25).

(Expressed in Hong Kong dollars unless otherwise indicated)

17 PROPERTIES UNDER DEVELOPMENT

	2023 $'000	2022 $'000
Carrying amount at 1 January	**246,817**	261,186
Exchange realignment	**(6,128)**	(19,588)
Additions	**2,165**	3,784
Interest capitalised	**–**	1,435
Carrying amount at 31 December	**242,854**	246,817

The Group's properties under development are situated in Chinese Mainland, and include ownership interests in land with remaining lease term of:

	2023 $'000	2022 $'000
Between 10 and 50 years	**123,376**	126,641

The amount of properties under development expected to be recovered after more than one year is $242,854,000 (2022: $246,817,000).

Further particulars of the Group's properties under development are included on page 204.

18 TRADE RECEIVABLES

	2023 $'000	2022 $'000
Trade receivables	484,193	455,209
Loss allowance	(111,419)	(111,618)
	372,774	343,591

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

	2023 $'000	2022 $'000
Within 90 days	357,477	283,186
91 to 180 days	4,417	36,381
181 to 365 days	3,973	11,880
Over 365 days	6,907	12,144
	372,774	343,591

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

	2023 $'000	2022 $'000
At 1 January	111,618	112,550
Exchange realignment	(536)	(819)
Impairment loss (note 6)	377	2,065
Amount written off as uncollectible	(40)	(2,178)
At 31 December	111,419	111,618

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 41(c). The Group does not hold any collateral or other credit enhancements over these balances.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is $809,250,000 (2022: $830,668,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

20 AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and recoverable on demand.

21 CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to $159,222,000 (2022: $115,514,000). RMB is not freely convertible into other currencies. However, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023 and 2022, certain cash and bank balances of the Group were pledged to secure the banking facilities granted to the Group (note 25).

21 CASH AND BANK BALANCES *(Continued)*

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

	Bank loans $'000 (Note 25)	Trust receipt loans $'000 (Note 25)	Amounts due to non-controlling shareholders of subsidiaries $'000 (Note 29)	Amounts due to related companies $'000 (Note 27)	Lease liabilities $'000 (Note 28)	Interest payable $'000	Total $'000
At 1 January 2023	3,496,960	97,500	18,364	566,374	366,287	8,124	4,553,609
Changes from financing cash flows:							
Proceeds from new bank loans	3,104,167	–	–	–	–	–	3,104,167
Repayment of bank loans	(3,018,848)	–	–	–	–	–	(3,018,848)
Increase in trust receipts loans	–	99,676	–	–	–	–	99,676
Interest and other borrowing costs paid	–	–	–	–	–	(228,536)	(228,536)
Decrease in amounts due to non-controlling shareholders of subsidiaries	–	–	(938)	–	–	–	(938)
Increase in amounts due to related companies	–	–	–	69,500	–	–	69,500
Repayment of amounts due to related companies	–	–	–	(10,000)	–	–	(10,000)
Capital element of lease rentals paid	–	–	–	–	(59,099)	–	(59,099)
Interest element of lease rentals paid	–	–	–	–	(23,939)	–	(23,939)
Total changes from financing cash flows	85,319	99,676	(938)	59,500	(83,038)	(228,536)	(68,017)
Exchange realignment	(6,223)	–	(247)	–	(8,527)	(3)	(15,000)
Other changes:							
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	3,670	–	3,670
Decrease in lease liabilities from terminating leases during the year	–	–	–	–	(3,732)	–	(3,732)
Adjustment from lease modification	–	–	–	–	48,118	–	48,118
Interest expenses (note 7)	–	–	–	–	23,939	242,806	266,745
Contribution from non-controlling shareholders of subsidiaries	–	–	(5,460)	–	–	–	(5,460)
Transfer to other payables and accruals	–	–	(1,170)	–	–	–	(1,170)
Total other changes	–	–	(6,630)	–	71,995	242,806	308,171
At 31 December 2023	3,576,056	197,176	10,549	625,874	346,717	22,391	4,778,763

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CASH AND BANK BALANCES *(Continued)*

	Bank loans $'000 (Note 25)	Trust receipt loans $'000 (Note 25)	Amounts due to non-controlling shareholders of subsidiaries $'000 (Note 29)	Amounts due to related companies $'000 (Note 27)	Lease liabilities $'000 (Note 28)	Interest payable $'000	Total $'000
At 1 January 2022	4,155,169	348,544	18,914	604,405	470,628	3,921	5,601,581
Changes from financing cash flows:							
Proceeds from new bank loans	3,326,263	–	–	–	–	–	3,326,263
Repayment of bank loans	(3,946,465)	–	–	–	–	–	(3,946,465)
Decrease in trust receipts loans	–	(251,044)	–	–	–	–	(251,044)
Interest and other borrowing costs paid	–	–	–	(7,981)	–	(147,002)	(154,983)
Increase in amount due to non-controlling shareholders of subsidiaries	–	–	252	–	–	–	252
Increase in amounts due to related companies	–	–	–	44,500	–	–	44,500
Repayment of amounts due to related companies	–	–	–	(101,763)	–	–	(101,763)
Capital element of lease rentals paid	–	–	–	–	(74,917)	–	(74,917)
Interest element of lease rentals paid	–	–	–	–	(28,265)	–	(28,265)
Total changes from financing cash flows	(620,202)	(251,044)	252	(65,244)	(103,182)	(147,002)	(1,186,422)
Exchange realignment	(38,007)	–	(802)	–	(33,353)	(4)	(72,166)
Other changes:							
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	4,676	–	4,676
Decrease in lease liabilities from terminating leases during the year	–	–	–	–	(837)	–	(837)
Adjustment from lease modification	–	–	–	–	90	–	90
Interest expenses (note 7)	–	–	–	27,213	28,265	149,774	205,252
Capitalised borrowing costs (note 7)	–	–	–	–	–	1,435	1,435
Total other changes	–	–	–	27,213	32,194	151,209	210,616
At 31 December 2022	3,496,960	97,500	18,364	566,374	366,287	8,124	4,553,609

21 CASH AND BANK BALANCES *(Continued)*

Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023	2022
	$'000	$'000
Within operating cash flows	**5,340**	15,224
Within financing cash flows	**83,038**	103,182
	88,378	118,406

These amounts relate to the following:

	2023	2022
	$'000	$'000
Lease rentals paid	**88,378**	118,406

22 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 31 December 2021, the Group had committed to a plan to sell certain of its investment properties. In the opinion of the directors, the disposal of the assets was expected to be completed within twelve months from the financial year end date.

	2023	2022
	$'000	$'000
Carrying amount at 1 January	**–**	275,198
Fair value loss	**–**	(21,780)
Disposals	**–**	(253,418)
Carrying amount at 31 December	**–**	–

On 1 December 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of the subsidiary holding the investment properties. As a result, the investment properties were classified as held for sale as at 31 December 2021. The sales transaction was completed during the year ended 31 December 2022.

(Expressed in Hong Kong dollars unless otherwise indicated)

23 TRADE PAYABLES

	2023 $'000	2022 $'000
Trade payables	**498,135**	576,316

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

	2023 $'000	2022 $'000
Within 90 days	**305,749**	197,153
91 to 180 days	**67,832**	175,383
181 to 365 days	**20,777**	76,541
Over 365 days	**103,777**	127,239
	498,135	576,316

The trade payables are non-interest-bearing and expected to be settled within one year.

24 OTHER PAYABLES AND ACCRUALS

	2023 $'000	2022 $'000
Contract liabilities		
Made-to-order manufacturing arrangements		
— Billing in advance of performance	**29,819**	76,600
Property development		
— Forward sales deposits and instalments received	**7,773**	42,907
	37,592	119,507
Other payables and accruals (Note)	**502,319**	576,965
	539,911	696,472

Note: Except for rental deposits of $22,472,000 (2022: $17,519,000), all other payables are non-interest-bearing and expected to be settled within one year.

24 OTHER PAYABLES AND ACCRUALS *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Manufacturing arrangements

When the Group receives a deposit on acceptance of manufacturing order, this will give rise to a contract liability at the start of a contract until the revenue of the contract is recognised. The Group typically receives deposits on acceptance of manufacturing orders. The deposit was negotiated on case by case basis with customers.

— Property development

The Group receives certain percentage of the contract value as a deposit from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and transferred to the customer. The rest of the consideration is typically paid when the property is accepted by the customer.

Movement in contract liabilities

	2023	2022
	$'000	$'000
Balance at 1 January	**119,507**	100,622
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(118,555)**	(96,085)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**29,819**	76,600
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of completed properties for sale/still under construction at the end of the year	**6,821**	38,370
Balance at 31 December	**37,592**	119,507

As at 31 December 2023, the amount of billings in advance of performance and forward sales deposits and instalments received was expected to be recognised as revenue within one year (2022: within one year).

(Expressed in Hong Kong dollars unless otherwise indicated)

25 INTEREST-BEARING BANK BORROWINGS

	Effective interest rate %	2023 $'000	2022 $'000
Current			
Bank overdrafts — secured	5–6	–	9,988
Bank loans — unsecured	3–8	**478,108**	288,613
Bank loans — secured	2–10	**1,409,925**	946,664
Trust receipt loans — unsecured	5–7	**34,782**	17,447
Trust receipt loans — secured	4–7	**162,394**	80,053
		2,085,209	1,342,765
Non-current			
Bank loans — secured	3–8	**1,688,023**	2,261,683
		3,773,232	3,604,448

	2023 $'000	2022 $'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**2,085,209**	1,342,765
In the second year	**362,096**	603,485
In the third to fifth years, inclusive	**1,318,247**	1,645,810
Over five years	**7,680**	12,388
	3,773,232	3,604,448

25 INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) At the end of the reporting period, the Group's bank borrowings of $3,260,342,000 (2022: $3,298,388,000) were secured by:

   (i) pledges and mortgages over the Group's investment properties situated in Hong Kong and Chinese Mainland (including investment properties under development), which had an aggregate carrying value of $8,097,725,000 (2022: $8,258,814,000) (note 13) at the end of the reporting period;

   (ii) pledges and mortgages over the Group's ownership interests in leasehold land and buildings, which had an aggregate carrying value of $41,084,000 (2022: $45,657,000) (note 12) at the end of the reporting period;

   (iii) pledges over certain bank deposits of the Group with an aggregate carrying value of $32,399,000 (2022: $21,696,000) (note 21) at the end of the reporting period;

   (iv) pledges and mortgages over the shares of certain indirect wholly-owned subsidiaries of the Group; and

   (v) pledges over the Group's completed properties for sale, which had an aggregate carrying value of $456,511,000 (2022: $130,858,000) (note 16) at the end of the reporting period.

(b) At the end of the reporting period, except for the secured bank loans with an aggregate amount of $534,713,000 (2022: $515,456,000) and unsecured bank loans with an aggregate amount of $33,575,000 (2022: $19,597,000), which were denominated in Renminbi, all other borrowings were in Hong Kong dollars.

26 AMOUNTS DUE FROM RELATED COMPANIES

Except for the amount due from a related company of $1,500,000 (2022: $1,500,000) which is interest bearing at one percent above the Hong Kong dollar prime rate per annum, the remaining amounts due from related companies are interest-free. All the amount due from related companies are unsecured and recoverable on demand.

27 AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest bearing at Hong Kong dollar prime rate per annum and not repayable within one year from the end of the reporting period. The interest was waived for the year ended 31 December 2023.

(Expressed in Hong Kong dollars unless otherwise indicated)

28 LEASE LIABILITIES

The lease liabilities were repayable as the end of reporting period as follows:

	2023 **$'000**	2022 $'000
Within 1 year	**55,641**	55,165
After 1 year but within 2 years	**56,454**	40,989
After 2 years but within 5 years	**136,434**	133,535
After 5 years	**98,188**	136,598
	291,076	311,122
	346,717	366,287

29 AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand except for amounts totalling $141,000 (2022: $7,941,000) which is not repayable within one year from the end of the reporting period.

30 OTHER NON-CURRENT LIABILITIES

	2023 **$'000**	2022 $'000
Provision for severance payments	**53,040**	54,434
Others	**587**	603
	53,627	55,037

30 OTHER NON-CURRENT LIABILITIES *(Continued)*

The movements in the provision for severance payments are as follows:

	2023 $'000	2022 $'000
At 1 January	**54,434**	59,146
Exchange realignment	**(1,394)**	(4,712)
At 31 December	**53,040**	54,434

The provision for severance payments arose from the acquisition of certain subsidiaries in Chinese Mainland in prior years, and was recognised under the relevant regulations in Chinese Mainland.

On 25 July 2014, an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) for the acquisition of all the minority stakes in three subsidiaries, 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司. Under the agreement, investment properties amounting to $115,098,000 (2022: $118,144,000) are pledged to secure the performance of the respective subsidiaries' obligations in respect of the employees resettlement reserve funds (職工安置備用金). Under the local government policy, companies transformed from state-owned enterprise shall pledge their assets to secure the performance of their obligations in respect of the employees resettlement reserve funds.

(Expressed in Hong Kong dollars unless otherwise indicated)

31 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

The movements in deferred tax (assets)/liabilities recognised during the year are as follows:

	Depreciation allowance in excess of related depreciation $'000	Revaluation of properties $'000	Losses available for offsetting against future taxable profits $'000	Right-of-use assets $'000	Lease liabilities $'000	Others $'000	Total $'000
At 1 January 2022	90,671	1,144,576	(64,676)	100,798	(105,452)	45,731	1,211,648
Deferred tax (credited)/charged to profit or loss (note 10)	13,782	(3,895)	(124)	(15,790)	14,885	124	8,982
Disposal of a subsidiary (note 42)	–	(56,990)	–	–	–	–	(56,990)
Exchange realignment	(4,426)	(84,963)	165	(7,565)	7,525	–	(89,264)
At 31 December 2022	100,027	998,728	(64,635)	77,443	(83,042)	45,855	1,074,376
At 1 January 2023	**100,027**	**998,728**	**(64,635)**	**77,443**	**(83,042)**	**45,855**	**1,074,376**
Deferred tax (credited)/charged to profit or loss (note 10)	**9,856**	**(4,594)**	**–**	**(11,690)**	**10,473**	**–**	**4,045**
Disposal of a subsidiary (note 42)	**–**	**(6,138)**	**–**	**–**	**–**	**–**	**(6,138)**
Exchange realignment	**(1,737)**	**(25,714)**	**–**	**(1,865)**	**1,880**	**–**	**(27,436)**
At 31 December 2023	**108,146**	**962,282**	**(64,635)**	**63,888**	**(70,689)**	**45,855**	**1,044,847**

Deferred tax assets have not been recognised in respect of the following items:

(i) Tax losses arising in Hong Kong

As at 31 December 2023, the Group had tax losses arising in Hong Kong of $588,688,000 (2022: $565,614,000). Such tax losses are available indefinitely for offsetting against future taxable profits of the relevant companies from which the losses arose.

(ii) Tax losses arising in Chinese Mainland

As at 31 December 2023, the Group had tax losses arising in Chinese Mainland of $304,419,000 (2022: $278,233,000) in the past five years available for offsetting against future taxable profits. Such tax losses will expire in one to five years.

Deferred tax assets have not been recognised in respect of the above tax losses as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

31 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared by foreign investment enterprises established in Chinese Mainland for distribution to foreign investors. The requirement is effective from 1 January 2008 onwards, 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 tax rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008 onwards.

No deferred tax liabilities have been recognised for withholding taxes on the unremitted earnings, which are subject to the abovementioned withholding taxes, of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the major subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled $372,994,000 at 31 December 2023 (2022: $400,905,000).

32 SHARE CAPITAL

(a) Shares

	2023 **$'000**	2022 $'000
Authorised:		
20,000,000,000 (2022: 20,000,000,000) ordinary shares of $0.01 each	**200,000**	200,000
3,000,000,000 (2022: 3,000,000,000) redeemable convertible preference shares of $0.02 each	**60,000**	60,000
Total authorised capital	**260,000**	260,000
Issued and fully paid:		
13,221,302,172 (2022: 13,221,302,172) ordinary shares of $0.01 each	**132,213**	132,213
109,975,631 (2022: 109,975,631) redeemable convertible preference shares of $0.02 each (Note)	**2,200**	2,200
Total issued and fully paid capital	**134,413**	134,413

32 SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Note: The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the board of directors (the "Board"), at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meetings of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

(b) Share options

Details of the Company's share option schemes and the share options issued under the schemes are set out in note 33 to the financial statements.

(c) Share awards

In 2011, the Board approved the establishment of the Company's Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the "Trust") for the purpose of administering the Share Award Scheme and holding the shares purchased for the Share Award Scheme before the award and vesting of the same. The Company pays to the Trust from time to time for the purchase of shares held for the Share Award Scheme from market.

The terms of the Share Award Scheme provide for the award of shares in the Company and/or shares in South China Assets Holdings Limited, a related company under common control, to employees of the Group as part of their compensation package. Subject to the rules of the Share Award Scheme, the Board shall determine at the time of grant the vesting date for the relevant awarded shares.

Dividends payable to the awarded shares are applied to acquire further shares (dividend shares) and pay the related purchase expenses and expenses of the Trust. Dividend shares have the same vesting date as the related awarded shares.

For awardees who cease employment with the Group before vesting, the unvested shares are forfeited and held by the trustee of the Share Award Scheme who may award such shares to other awardees taking into consideration the recommendations of the Board.

No movements in the number of awarded shares in the Company during the years ended 31 December 2023 and 2022.

32 SHARE CAPITAL *(Continued)*

(c) Share awards *(Continued)*

Movements in the number of shares in the Company held under the Share Award Scheme are as follows:

	2023		2022	
	Value	**Number of shares held**	Value	Number of shares held
	$'000		$'000	
At 1 January and 31 December	**61,075**	**206,160,593**	61,075	206,160,593

During the year ended 31 December 2023, there was no share (2022: Nil) of the Share Award Scheme of the Company was transferred to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was Nil (2022: Nil).

33 SHARE OPTION SCHEMES

2012 Share Option Scheme

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme") which became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions stipulated therein. The 2012 Share Option Scheme has been expired on 11 June 2022.

The directors and employees of the Group are entitled to participate in the share option schemes operated by the Company. Details of the share option schemes are as follows:

(a) Purpose of the 2012 Share Option Scheme

In order to provide incentives or rewards to the participants for their contributions to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds equity interest (the "Invested Entity"), the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

33 SHARE OPTION SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

(b) *Participants of the 2012 Share Option Scheme*

According to the 2012 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (inducing any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

33 SHARE OPTION SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

(c) *Total number of shares available for issue under the 2012 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted under the 2012 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, i.e. a total of 597,727,372. Options lapsed in accordance with the terms of the 2012 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

The 2012 Share Option Scheme has been expired on 11 June 2022. No further share will be issued under the 2012 Share Option Scheme.

(d) *Maximum entitlement of each participant*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable laws and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

Where a grant of share option is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of the share option, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of $5 million (or such other amount or such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share option must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting.

33 SHARE OPTION SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

(e) *Period within which the shares must be taken up under an option*

The Board may at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(f) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2012 Share Option Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option.

(g) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of $1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the option.

(h) *Basis of determining the exercise price of the options*

The exercise price is determined by the Board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

33 SHARE OPTION SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2012 Share Option Scheme*

The 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012. The 2012 Share Option Scheme has been expired on 11 June 2022.

The following share options were outstanding under the 2012 Share Option Scheme during the year:

	2023		2022	
	Weighted average exercise price per share $	**Number of options '000**	Weighted average exercise price per share $	Number of options '000
At 1 January	**0.51**	**13,000**	0.51	13,000
Lapsed during the year	**0.51**	**(2,000)**	0.51	–
At 31 December	**0.51**	**11,000**	0.51	13,000
Exercisable at 31 December	**0.51**	**11,000**	0.51	13,000

(Expressed in Hong Kong dollars unless otherwise indicated)

33 SHARE OPTION SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2012 Share Option Scheme (Continued)*

Particulars of the outstanding share options granted under the 2012 Share Option Scheme and their movements during the year were as follows:

	Number of share options						
Name or category of participant	**Outstanding as at 1 January 2023**	**Lapsed during the year**	**Outstanding as at 31 December 2023**	**Date of grant of share options** (note 33(i)(1))	**Exercise period of share options**	**Number of ordinary share issuable upon the exercise of share options**	**Exercise price per share** $ (note 33(i)(2))
Employees							
In aggregate	4,333,334	(666,666)	3,666,668	10/07/2015	10/07/2016 – 09/07/2025	9,316,268	0.51
	4,333,333	(666,667)	3,666,666	10/07/2015	10/07/2017 – 09/07/2025	9,316,266	0.51
	4,333,333	(666,667)	3,666,666	10/07/2015	10/07/2018 – 09/07/2025	9,316,266	0.51
Total	13,000,000	(2,000,000)	11,000,000			27,948,800	

Notes:

(1) All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 12 months	Nil
13th – 24th month	Not more than 33⅓%
25th – 36th month	Not more than 66⅔%
37th – 120th month	100%

(2) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

At the end of the reporting period, the Company had 11,000,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the remaining share options would, under the capital structure of the Company as at 31 December 2023, result in the issue of 27,948,800 additional ordinary shares of the Company with additional cash received of approximately $14,254,000.

33 SHARE OPTION SCHEMES *(Continued)*

2023 Share Option Scheme

The Company adopted the share option scheme at the extraordinary general meeting held on 20 June 2023 (the "2023 Share Option Scheme"), which has a term of ten (10) years and will expire on 20 June 2033.

(a) *Purpose of the 2023 Share Option Scheme*

The purpose of the 2023 Share Option Scheme is to provide incentive or rewards to the employees, directors and other eligible participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group.

(b) *Participants of the 2023 Share Option Scheme*

According to the 2023 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) employee participant(s), being any director(s) (including executive director(s), non-executive director(s) and independent non-executive director(s)) or employee(s) (whether full-time or part-time) of the Company or any subsidiary (including person(s) who is granted options under the 2023 Share Option Scheme as an inducement to enter into an employment contract with the Company or any subsidiary);

(ii) related entity participant(s), being any director(s) or employee(s) of the holding companies, fellow subsidiaries or associated companies of the Company; and

(iii) service provider participant(s), being any person(s) (including entity(ies)) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, as determined by the Board pursuant to the criteria set out below:

(a) suppliers of services to any member of the Group, that operates in the industries in which the Group operates from time to time;

(b) advisors (professional or otherwise) or consultants, with specialties or expertise in areas that supplement the Group or with which the Group would consider important to maintain a close business relationship on an ongoing basis and bring benefits and strategic value to Group's development and future prospects; and

(c) independent contractors that provide advisory services, consultancy services, licensing services, product development services, sales and marketing services and/or other professional services,

excluding (a) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and (b) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

33 SHARE OPTION SCHEMES *(Continued)*

2023 Share Option Scheme *(Continued)*

(c) *Total number of shares available for issue under the 2023 Share Option Scheme*

The total number of Shares available for issue under the 2023 Share Option Scheme is 1,322,130,217, representing approximately 10% of the total number of Shares in issue as at the date of this annual report.

During the year ended 31 December 2023, no option was granted under 2023 Share Option Scheme.

(d) *Maximum entitlement of each participant*

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in any 12-month period must not exceed 1.0% of the total number of Shares in issue.

Where Shares issued and to be issued upon exercise of all options already granted and to be granted under the 2023 Share Option Scheme to a participant who is a substantial shareholder or an independent non-executive Director, or any of his or her associate in the 12-month period up to and including the date of grant, representing in aggregate over 0.1% of the total number of Shares in issue, the proposed grant of option must be approved by the shareholders of the Company in general meeting.

Grants to individuals that exceed the thresholds set out in the Chapter 17 of the Listing Rules will be subject to additional approval requirements as required under the Chapter 17 of the Listing Rules.

(e) *Period within which the option may be exercised by the grantee*

A period to be specified by the Board and not to exceed 10 years from the date of grant of options.

(f) *The vesting period of options granted*

The vesting period for Options shall not be less than 12 months from the date of grant. A shorter vesting period may be granted to the employee participants at the discretion of the Board or the remuneration and nomination committee of the Company or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board in any of the following circumstances:

(i) grants of "make-whole" options to new joiners to replace the share awards or options they forfeited when leaving the previous employers; or

(ii) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event; or

33 SHARE OPTION SCHEMES *(Continued)*

2023 Share Option Scheme *(Continued)*

(f) *The vesting period of options granted (Continued)*

(iii) grants of option the timing of which is determined by administrative or compliance requirements not connected with the performance of the employee participant, in which case the vesting date may be adjusted to take account of the time from which the option would have been granted if not for such administrative or compliance requirements; or

(iv) grants of options with a mixed or accelerated vesting schedule such as where the option may vest evenly over a period of 12 months.

each of which are considered appropriate to provide flexibility to grant options (1) as part of competitive terms and conditions to induce valuable talent to join the Group (sub-paragraphs (i) and (iv)); (2) reward past contribution which may otherwise be neglected due to administrative or technical reasons (sub-paragraphs (ii) and (iii)); (3) reward exceptional performers with accelerated vesting (sub-paragraph (iv)); (4) to motivate exceptional performers based on performance metrics rather than time (sub-paragraph (v)); and (5) in exceptional circumstances where justified (sub-paragraph (i) to (v)), which is consistent with the purpose of the 2023 Share Option Scheme.

(g) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of $1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer.

(h) *Basis of determining the exercise price of the options granted*

The exercise price is determined by the Board which must be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a trading day; and

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the date of grant.

(i) *Remaining life of the 2023 Share Option Scheme*

Subject to early termination of the 2023 Share Option Scheme pursuant to the terms thereof, the 2023 Share Option Scheme will be valid and effective for a period of ten years commencing on the date on which it became effective on 26 June 2023.

No option has been granted, cancelled, outstanding, exercised or lapsed under the 2023 Share Option Scheme as the end of reporting period.

(Expressed in Hong Kong dollars unless otherwise indicated)

34 RESERVES

(a) 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 85 to 86.

(b) Nature and purpose of reserves

(i) *Share premium*

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

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

(ii) *Contributed surplus*

The excess of the value of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange was credited to the contributed surplus.

(iii) *Merger reserve*

It represents the excess of the consideration over the carrying amount of net assets acquired under common control transactions.

(iv) *Land and buildings revaluation reserve*

The land and buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 2.4(g).

(v) *PRC statutory reserve*

Pursuant to the relevant laws and regulations of the PRC, certain subsidiaries of the Group registered in the PRC shall appropriate a portion of their profits after tax to the PRC statutory reserves, which are restricted as to use, subject to certain conditions provided that the said profit after tax of the relevant subsidiary is in excess of its accumulated losses brought forward, if any. For such appropriation, the said profit after tax and accumulated losses brought forward shall be the respective amounts reported in accordance with the accounting principles generally applicable to the PRC enterprises. There was no such transfer to the PRC statutory reserves for the year ended 31 December 2023 (2022: Nil).

34 RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(vi) *Goodwill reserve*

The goodwill arising on consolidation has been set up and dealt with in accordance with the transitional arrangements under HKFRS 3 (August 2004). Goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

(vii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy as set out in note 2.4(aa).

(viii) *Employee share-based compensation reserve*

The employee share-based compensation reserve comprises the fair value of the unvested share awards and the unexercised share options of the Group at grant date that has been recognised in accordance with the accounting policy as set out in note 2.4(y).

(ix) *Treasury shares*

At the end of the reporting period, a subsidiary had 32,249,468 of treasury shares which are available for resale and are recognised as a reduction of the total equity of the Group.

(x) *Other reserve*

The amount represents the difference between the consideration received or paid for the non-controlling interests and the carrying amount of non-controlling interests acquired by or from the non-controlling shareholders.

(c) Dividend

The Company had not declared or paid any dividend during the year (2022: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

34 RESERVES *(Continued)*

(d) Company

	Share premium $'000	Capital redemption reserve $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2022	1,482,177	223	(61,075)	5,891	(423,474)	1,003,742
Loss and total comprehensive income for the year	–	–	–	–	(71,717)	(71,717)
At 31 December 2022 and 1 January 2023	**1,482,177**	**223**	**(61,075)**	**5,891**	**(495,191)**	**932,025**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(129,721)**	**(129,721)**
Transfer of employee share-based compensation reserve upon lapse of share options	**–**	**–**	**–**	**(906)**	**906**	**–**
At 31 December 2023	**1,482,177**	**223**	**(61,075)**	**4,985**	**(624,006)**	**802,304**

The Company's reserves available for distribution include share premium, capital redemption reserve, employee share-based compensation reserve and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2023 amounted to approximately $863,379,000 (2022: $993,100,000).

35 CONTINGENT LIABILITIES

As 31 December 2023, the Group had given guarantees to financial institutions in the aggregate amount of $200,987,000 (2022: $219,340,000) on behalf of purchasers of property units developed by the Group in Chinese Mainland in relation to which the related building ownership certificate had not yet been issued at 31 December 2023. Such guarantees will be released upon the issuance of the building ownership certificate.

36 PLEDGES OF ASSETS

Details of the Group's bank loans and overdrafts and non-current liabilities, which are secured by the assets of the Group, are included in notes 25 and 30 to the financial statements.

37 OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties (note 13) under operating lease arrangements with leases generally negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions. None of the leases include variable lease payments.

At the end of the reporting period, undiscounted lease payments under non-cancellable operating lease in place will be receivable by the Group in future periods as follows:

	2023 **$'000**	2022 $'000
Within one year	**124,451**	110,043
After 1 year but within 2 years	**66,729**	53,178
After 2 years but within 3 years	**31,013**	22,566
After 3 years but within 4 years	**8,006**	11,768
After 4 years but within 5 years	**4,251**	5,834
After 5 years	**1,788**	9,121
	236,238	212,510

(Expressed in Hong Kong dollars unless otherwise indicated)

38 CAPITAL COMMITMENTS

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

	2023 $'000	2022 $'000
Contracted but not provided for:		
Land and buildings	**9,237**	26,903
Machinery and equipment	**7,592**	3,083
	16,829	29,986
Authorised but not contracted for:		
Property, plant and equipment	**5,801**	4,915

39 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:

	2023 $'000	2022 $'000
Transactions with related companies#:		
Interest expense (Note (i))*	–	(27,213)
Interest income (Note (ii))*	**101**	86
Rental income**	**1,970**	1,970
Expenses recharge to related companies*	**11,493**	10,276
Service fee to a related company**	–	(4,048)
Air tickets and travel related services purchased*	**(117)**	(18)

\# The relevant related companies are controlled by substantial shareholders, who are also directors of the Company.

* These related party transactions also constitute exempted connected transactions or exempted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

** The related party transactions includes rental income of $1,055,000 (2022: rental income of $1,055,000 and service fee to a related company of $4,048,000) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with and the key terms of the tenancy agreements have been disclosed in the announcement of the Company.

Note:

(i) During the year ended 31 December 2022, interest expense of $27,213,000 was charged at Hong Kong dollar prime rate on the outstanding balances of the amounts due to related companies. The related companies agreed to waiver the interest for the year ended 31 December 2023.

(ii) Interest income of $101,000 (2022: $86,000) was charged at one percent above Hong Kong dollar prime rate on the outstanding balance of the amount from a related company.

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:
Details of the balances with related parties at the end of the reporting period are included in notes 20, 26, 27 and 29 to the financial statements.

(c) Compensation of key management personnel of the Group:
The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

40 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management and the audit committee. At each reporting date, the corporate finance team 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 management. The valuation process and results are discussed with the audit committee for financial reporting purposes.

The fair values of the financial assets and liabilities are included in 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:

The fair values of financial assets measured at FVPL are based on quoted market prices.

At the end of the reporting period, the financial assets measured at FVPL were classified as Level 1 under the fair value hierarchy.

The Group enters into foreign exchange forward contracts with financial institutions. Foreign exchange forward contracts are measured using valuation techniques similar to forward pricing models. The models incorporate various market observable inputs including foreign exchange spot and forward rates. The carrying amounts of foreign exchange forward contracts are the same as their fair values.

At the end of the reporting period, the exchange forward contracts were classified as Level 2 under the fair value hierarchy.

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values.

(Expressed in Hong Kong dollars unless otherwise indicated)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

(a) 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.

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss before tax by approximately $32,346,000.

At 31 December 2022, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's profit before tax by approximately $31,662,000.

(b) Foreign currency risk

The Group operates in Hong Kong and Chinese Mainland and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). Foreign exchange risk mainly arises from transactions in Chinese Mainland. The directors consider that the Group's exposure to foreign currency risk in respect of balances denominated in USD to be minimal as the Hong Kong dollar is pegged to the USD.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

(i) *Exposure to currency risk (Continued)*

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2023		2022	
	RMB $'000	**USD $'000**	RMB $'000	USD $'000
Assets	**90,943**	**476,838**	68,989	302,885
Liabilities	**(497,596)**	**(92,326)**	(638,078)	(52,262)
Net exposure arising from recognised assets and liabilities	**(406,653)**	**384,512**	(569,089)	250,623

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's (loss)/profit before tax that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2023		2022	
	Increase/ (decrease) in foreign exchange rate	**(Increase)/ decrease on loss before tax $'000**	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase on profit before tax $'000
RMB	**10%**	**(40,665)**	10%	(56,908)
	(10)%	**40,665**	(10)%	56,908

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit before tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

(Expressed in Hong Kong dollars unless otherwise indicated)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

(ii) *Sensitivity analysis (Continued)*

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2022.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

Trade receivables

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from one to three months depending on a number of factors including trade practice, collection history and location of 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 monitor credit risk. Overdue balances are reviewed regularly by the senior management.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate, other than trading and manufacturing segment. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 53.7% (2022: 27.5%) and 86.7% (2022: 76.9%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the trading and manufacturing segment.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns for different customer segments, the loss allowance is calculated based on days past due from various customer segments which are grouped with similar patterns (i.e. by customer type).

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables (Continued)

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables as at the end of the reporting period:

		2023	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**$'000**	**$'000**
Current (not past due)	**0%**	**275,282**	**–**
1 – 180 days past due	**0%**	**87,446**	**–**
181 – 365 days past due	**0%**	**3,936**	**–**
366 – 548 days past due	**33%**	**9,162**	**3,052**
549 – 730 days past due	**100%**	**2,017**	**2,017**
Over 730 days past due	**100%**	**106,350**	**106,350**
		484,193	**111,419**

		2022	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	$'000	$'000
Current (not past due)	0%	283,833	–
1 – 180 days past due	0%	41,659	–
181 – 365 days past due	22%	9,393	2,065
366 – 548 days past due	23%	14,036	3,265
549 – 730 days past due	100%	6,574	6,574
Over 730 days past due	100%	99,714	99,714
		455,209	111,618

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(Expressed in Hong Kong dollars unless otherwise indicated)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) 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 and other interest-bearing loans.

For bank loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

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

	2023			
	Within 1 year or on demand $'000	More than 1 year but less than 5 years $'000	More than 5 years $'000	Total $'000
Trade payables	498,135	–	–	498,135
Other payables	479,847	22,472	–	502,319
Interest-bearing bank borrowings	2,236,435	1,762,808	8,240	4,007,483
Financial liabilities included in other non-current liabilities	–	53,627	–	53,627
Amounts due to non-controlling shareholders of subsidiaries	10,408	141	–	10,549
Amounts due to related companies	–	658,127	–	658,127
Lease liabilities	77,282	249,105	131,715	458,102
	3,302,107	2,746,280	139,955	6,188,342
Adjustments to present cash flows interest-bearing bank borrowings based on lenders' right to demand repayment	90,720	(95,616)	–	(4,896)
	3,392,827	2,650,664	139,955	6,183,446

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

As shown in the above analysis, certain bank borrowings were due to repaid during 2024. The short-term liquidity risk inherent in this contractual maturity date has been addressed after the end of the reporting period by renewing and securing new bank borrowings with terms ranging from 1 to 10 years from the date of drawdown.

	2022			
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000
Trade payables	576,316	–	–	576,316
Other payables	559,446	17,519	–	576,965
Interest-bearing bank borrowings	1,449,198	2,606,723	13,514	4,069,435
Financial liabilities included in other non-current liabilities	–	55,037	–	55,037
Amounts due to non-controlling shareholders of subsidiaries	10,423	7,941	–	18,364
Amounts due to related companies	–	593,907	–	593,907
Lease liabilities	79,038	242,399	180,089	501,526
	2,674,421	3,523,526	193,603	6,391,550
Adjustments to present cash flows interest-bearing bank borrowings based on lenders' right to demand repayment	99,360	(111,501)	–	(12,141)
	2,773,781	3,412,025	193,603	6,379,409

(Expressed in Hong Kong dollars unless otherwise indicated)

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) 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 defines capital to be total equity.

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 2022.

The Group monitors capital using a gearing ratio, which is total long-term debts divided by capital. The Group's policy is to maintain the gearing ratio below 50%. The long-term debts include non-current portion of interest-bearing bank borrowings. Capital includes total equity. The gearing ratios at the end of the reporting periods were as follows:

	2023	2022
	$'000	$'000
Total long-term debts	**1,688,023**	2,261,683
Capital	**6,289,815**	6,489,205
Gearing ratio	**26.8%**	34.9%

42 DISPOSALS OF SUBSIDIARIES

(a) Year ended 31 December 2023

On 13 September 2022, Thousand China Investments Limited ("Thousand China"), an indirect wholly-owned subsidiary of the Company, as vendor and Power Path Global Limited ("Power Path"), a related company that is a wholly-owned subsidiary of South China Financial Holdings Limited ("SCFH"), as purchaser, entered into a sale and purchase agreement, pursuant to which Thousand China conditionally agreed to dispose of 100% equity interest in Genius Year Limited ("Genius Year"), an indirect wholly-owned subsidiary of the Company, to Power Path and Power Path conditionally agreed to purchase 100% equity interest in Genius Year, at a total consideration of $89,840,000 which was settled by way of convertible bond issued by SCFH upon completion, in accordance with the terms and subject to the conditions set out in the sale and purchase agreement. This transaction was approved by independent shareholders at the extraordinary general meeting held on 11 January 2023 and completed on 13 January 2023. The gain of $78,197,000 resulted from the disposal of subsidiaries was recognised in profit or loss, which was calculated based on the difference between the consideration received and the net assets of Genius Year, which mainly included ownership interests in lands indirectly held by Genius Year.

On 30 June 2023, Wilken Footwear Limited ("Wilken Footwear"), an indirect wholly-owned subsidiary of the Company, as vendor and the Company as a vendor guarantor entered into a sale and purchase agreement with 昆山濱湖新城產業科創發展有限公司 ("Kunshan Binhu"), an independent third party, pursuant to which Kunshan Binhu has agreed to acquire, and Wilken Footwear has agreed to sell 100% equity interest in 昆山滙強鞋業有限公司 (Kunshan Wilken Footwear Company Limited), an indirect wholly-owned subsidiary of the Company, at the consideration of RMB61,500,000 (equivalent to approximately $68,333,000). The transaction was completed on 11 September 2023 and the gain of $27,216,000 resulted from the disposal of subsidiary was recognised in profit or loss, which was calculated based on the difference between the consideration received and the net assets of Kunshan Wilken Footwear Company Limited, which mainly included an investment property and deferred tax liabilities recognised.

42 DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Year ended 31 December 2022

On 1 December 2021, Hong Kong Nority Development Limited ("Nority Development") and Taimei Huasheng (Huizhou) Electronics Company Limited ("Taimei Huasheng"), both of which are subsidiaries of the Company, entered into an equity transfer agreement with Dongguan City Guanxinzhongnan Shiye Company Limited ("Guanxinzhongnan") and Dongguan City Guangda Property Development Company Limited ("Guangda"), pursuant to which, Guanxinzhongnan agreed to acquire, and Nority Development agreed to sell the 100% equity interest in Dongguan Nority Corporate Management Limited ("Dongguan Nority"), a subsidiary of the Company, at the consideration of RMB225,000,000. On 4 August 2022, Nority Development, Taimei Huasheng, Guanxinzhongnan, Dongguan City Jianxing Equity Investment Company Limited ("Jianxing") and Guangda entered into a supplemental agreement pursuant to which an additional purchaser (i.e. Jianxing) was introduced and the consideration to be paid by Guanxinzhongnan and Jianxing shall be in accordance with the terms and conditions set out therein.

Guanxinzhongnan and Jianxing respectively held 90% and 10% equity interest in Dongguan Nority following the completion of the transaction on 14 September 2022. A gain on disposal of $56,986,000 was recognised during the year ended 31 December 2022, which was calculated based on the difference between the consideration received and the net assets of Dongguan Nority at the date of completion, which mainly included a property held by Dongguan Nority and deferred tax liabilities recognised.

43 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 $'000	2022 $'000
Non-current assets			
Investments in subsidiaries		**4,541,769**	4,633,455
Current assets			
Other receivables		**847**	807
Financial assets measured at fair value through profit or loss		**2,298**	2,298
Cash and bank balances		**61,207**	6,066
Total current assets		**64,352**	9,171
Current liabilities			
Other payables		**17,204**	13,384
Interest-bearing bank borrowings		**346,789**	101,801
Total current liabilities		**363,993**	115,185
Net current liabilities		**(299,641)**	(106,014)
Total assets less current liabilities		**4,242,128**	4,527,441
Non-current liabilities			
Interest-bearing bank borrowings		**1,352,010**	1,698,053
Amounts due to subsidiaries		**1,953,401**	1,762,950
Total non-current liabilities		**3,305,411**	3,461,003
NET ASSETS		**936,717**	1,066,438
CAPITAL AND RESERVES			
Share capital	32(a)	**134,413**	134,413
Reserves	34(d)	**802,304**	932,025
TOTAL EQUITY		**936,717**	1,066,438

(Expressed in Hong Kong dollars unless otherwise indicated)

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows:

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Autowill Limited	British Virgin Islands ("BVI")	US$1	100%	Investment holding
Beat Time Enterprises Limited	BVI	US$1	100%	Investment holding
重慶華慶農林發展有限公司 (note (d))	The PRC	RMB25,000,000	100%	Forestry
重慶華浦農林發展有限公司 (note (c))	The PRC	RMB100,000,000	60%	Woods and crops plantation
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	100%	Property investment
長德玩具(東莞)有限公司 (note (d))	The PRC	$20,000,000	100%	Manufacturing of toys
創峰塑膠電子製品(北流)有限公司 (note (d))	The PRC	US$1,000,000	100%	Manufacturing of toys
東莞盈峰塑膠電子製品有限公司 (note (d))	The PRC	US$3,000,000	100%	Manufacturing of toys
Eastand Investments Limited	Hong Kong	$2	100%	Property investment
Everwin Toys (Dongguan) Co., Ltd (note (d))	The PRC	$79,500,000	100%	Manufacturing of toys
廣東華興果業發展有限公司 (note (d))	The PRC	US$11,500,000	100%	Fruit plantation
海興華豐農業有限公司 (note (d))	The PRC	$30,000,000	100%	Woods and crops plantation
遼寧長盛置業有限公司 (note (c))	The PRC	RMB877,349,000	80%	Property investment
Nanjing South China Dafang Electric Co., Ltd (note (d))	The PRC	RMB77,550,000	100%	Property investment

(Expressed in Hong Kong dollars unless otherwise indicated)

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Nanjing South China Huaguan Compressor Ltd. (note (d))	The PRC	RMB53,426,450	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note (d))	The PRC	RMB18,940,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note (d))	The PRC	RMB48,093,700	100%	Property investment
南京電力電容器有限公司 (notes (d))	The PRC	RMB1,425,400	100%	Property investment
南京液壓件二廠有限公司 (notes (d))	The PRC	RMB2,345,600	100%	Property investment
南京第二壓縮機有限公司 (note (d))	The PRC	RMB16,756,800	100%	Property investment
南京電機有限公司 (note (d))	The PRC	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (note (d))	The PRC	RMB29,035,500	100%	Property investment
南京南英置業有限公司	The PRC	RMB30,506,400	100%	Property investment
南京華科農業發展有限公司 (note (c))	The PRC	USD1,454,545	55%	Fish farming
陝西泰添農林發展有限公司 (note (d))	The PRC	$14,974,310	100%	Woods and crops plantation
瀋陽華寶農林綜合開發有限公司 (note (d))	The PRC	US$2,963,740	100%	Woods and crops plantation
瀋陽華凱農業開發有限公司 (note (d))	The PRC	US$2,722,200	100%	Woods and crops plantation
瀋陽萬鴻星匯商業有限公司 (note (c))	The PRC	RMB5,000,000	80%	Property management
瀋陽南華鴻基房地產開發有限公司 (note (d))	The PRC	US$187,454,000	100%	Property development

(Expressed in Hong Kong dollars unless otherwise indicated)

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
South China Industries (BVI) Limited (note (a))	BVI	US$1,000	100%	Investment holding
South China Shoes Products Company Limited	Hong Kong	$500,000	100%	Trading of footwear products
South China Strategic (BVI) Limited	BVI	US$1	100%	Investment holding
South China Strategic Limited	Hong Kong	$308,593,789	100%	Investment holding
South China Strategic Properties (BVI) Limited	BVI	US$1	100%	Property investment
South China Strategic Property Development Limited	Hong Kong	$5,000,000	100%	Investment holding
Splendor Sheen Limited	BVI	US$2	100%	Investment holding
泰美華升(惠州)電子有限公司 (note (d))	The PRC	US$19,216,000	100%	Manufacturing and trading of electronic products
Thousand China Investments Limited	BVI	US$1	100%	Investment holding
Tianjin South China Leather Chemical Products Co. Ltd. (note (c))	The PRC	RMB20,516,500	80%	Manufacturing of leather chemical products
Tianjin South China Leesheng Sporting Goods Co. Ltd. (note (c))	The PRC	RMB10,213,600	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note (c))	The PRC	RMB36,100,200	80%	Manufacturing and trading of footwear products
Wahheng Toys (Shenzhen) Co., Ltd (note (d))	The PRC	US$8,000,000	100%	Manufacturing of toys
華輝玩具(郁南)有限公司 (note (d))	The PRC	US$7,500,000	100%	Manufacturing of toys

(Expressed in Hong Kong dollars unless otherwise indicated)

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
天津南華譽基房地產開發有限公司 (note (d))	The PRC	$255,490,000	100%	Property development
Wah Shing (BVI) Limited	BVI	US$1,000	100%	Investment holding
Wah Shing Electronics Company Limited	Hong Kong/The PRC	$571,500	100%	Manufacturing and trading of toys
Wah Shing International Holdings Limited	Bermuda	$54,432,000	100%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	$2 ordinary and $3,020,002 Non-voting deferred (note (b))	100%	Trading of toys
深圳華比實業有限公司 (formerly known as 華太玩具(深圳)有限公司) (note (d))	The PRC	US$7,000,000	100%	Manufacturing of toys
Welbeck Holdings Limited	BVI	US$1	100%	Investment holding
WTS International (BVI) Limited	BVI	US$1	100%	Investment holding
容縣華榮玩具有限公司 (note (d))	The PRC	US$2,000,000	100%	Manufacturing of toys

Notes:

(a) Except for South China Industries (BVI) Limited, the principal subsidiaries are all held indirectly by the Company.

(b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

(c) These are Sino-foreign equity joint ventures established in the PRC.

(d) These are wholly-foreign-owned equity enterprises established in the PRC.

The above summary lists only the subsidiaries which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Summary of Financial Information

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

RESULTS

	2023	2022	2021	2020	2019
	$'000	$'000	$'000	$'000	$'000
Revenue	**2,887,385**	3,813,722	4,724,909	4,086,245	4,410,438
(Loss)/profit before tax	**(35,189)**	86,936	86,293	114,991	838,793
Income tax	**(7,250)**	(21,292)	(53,217)	(49,609)	(282,330)
(Loss)/profit for the year	**(42,439)**	65,644	33,076	65,382	556,463
Attributable to:					
Equity shareholders of the Company	**(31,846)**	74,734	30,852	69,775	594,040
Non-controlling interests	**(10,593)**	(9,090)	2,224	(4,393)	(37,577)
	(42,439)	65,644	33,076	65,382	556,463

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2023	2022	2021	2020	2019
	$'000	$'000	$'000	$'000	$'000
Total assets	**13,255,285**	13,537,226	15,614,990	14,861,253	14,644,112
Total liabilities	**(6,965,470)**	(7,048,021)	(8,717,395)	(8,177,753)	(8,251,091)
Non-controlling interests	**(292,531)**	(325,816)	(343,964)	(327,751)	(301,570)
	5,997,284	6,163,389	6,553,631	6,355,749	6,091,451

Details of Major Properties

1 INVESTMENT PROPERTIES

Location	Group's interest	Existing use
(a) Hong Kong		
Units A, B, C and D on 2nd Floor Units A, B, C and D on 3rd Floor Units A, B, C and D on 4th Floor Units A and B on 6th Floor Units A, B and D on 10th Floor Units A, B, C and D on 12th Floor Unit B, C and D on 13th Floor Car Parking Space Nos. 7, 17, 18 and 19 and Lorry Parking Space Nos. 3, 12, 13, 21, 25 and 26 Wah Shing Centre No. 5 Fung Yip Street Chai Wan Hong Kong	100%	Industrial and carparking
1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	100%	Commercial
Unit No. 78 on 2nd Floor Units Nos. 4, 5, 6, 7 and 8 on 3rd floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(a) Hong Kong *(Continued)*		
Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47-53 Man Yue Street Nos. 20-28 Man Lok Street Hung Hom, Kowloon, Hong Kong	100%	Industrial and carparking
Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Units A, B and C on 8th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
The whole of 4th Floor McDonald's Building Nos. 46-54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(a) Hong Kong *(Continued)*		
Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	100%	Commercial
Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5-7 Tsing Fung Street North Point Hong Kong	100%	Commercial
2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
Unit No. 1022 on 10th Floor, Nan Fung Centre Nos. 264-298 Castle Peak Road and Nos. 64-98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial
16th, 21st, 23rd, 26th, 31st, 33rd and 36th Floor The Centrium No. 60 Wyndham Street, Central Hong Kong	100%	Commercial
Upper Ground Floor, Ground Floor and carpark The Centrium No. 60 Wyndham Street, Central Hong Kong	30%	Commercial and carparking

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(b) Chinese Mainland		
Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shiziqiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
A building and a land parcel located at No. 32 Shiziqiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and two land parcels located at No. 36 Jiefang Road Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings erected upon a land parcel located at No. 855 Yingtian Da Jie Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
4th Floor No. 64 Ertiao Lane Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(b) Chinese Mainland *(Continued)*		
Various buildings and two land parcels located at No. 104 & 160 Fenghuang East Road Luhe District, Dachang Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 262 Yuhua West Road Yuhuatai District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 160 Honghua Village Qinhuai District Nanjing City Jiangsu Province The PRC	100%	Commercial
A building and a land parcel located at No. 2 Tuoyuan, Nanhu Street Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
Various buildings and a land parcel located at No. 292 Shengzhou Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(b) Chinese Mainland *(Continued)*		
Various buildings and a land parcel located at Zhetang Town Industrial Park Lishui County Nanjing City Jiangsu Province The PRC	100%	Industrial
An industrial complex located at No. 158 Jiangdong Middle Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Industrial
Various buildings and a land parcel located at 462 Da Gu Nan Road Hexi District Tianjin City The PRC	100%	Commercial
Various buildings and a land parcel located at No. 51 Suti Road Nankai District Tianjin City The PRC	100%	Commercial/ Industrial
Unit C, 15th Floor World Trade Plaza No. 71 Wu Si Road Fuzhou City Fujian Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(b) Chinese Mainland *(Continued)*		
Avenue of Stars No. 168 Chaoyang Street Shenhe District Shenyang City Liaoning Province The PRC	80%	Commercial
Southern Lot No. 19 Jinqiao Road Dadong District Shenyang City Liaoning Province The PRC	100%	Commercial

2 INVESTMENT PROPERTIES UNDER DEVELOPMENT

Location	Group's interest	Type
Chinese Mainland		
Xiao Luo Road West Liang Tian Village Ban Qiao Industrial Zone Tai Mei Town, Huizhou City Guangdong Province The PRC	100%	Industrial

3 PROPERTIES UNDER DEVELOPMENT/COMPLETED PROPERTIES HELD FOR SALE

Location	Marketable floor area/land area	Group's interest	Type
Chinese Mainland			
Southern Lot No. 19 Jinqiao Road Dadong District Shenyang City Liaoning Province The PRC	99,000 sq.m.	100%	Residential
East side of Guihua Road South Side of Dadong Road Siandian Town Wuqing district Tianjin City The PRC	88,000 sq,m.	100%	Commercial and residential