

遠東控股國際有限公司

FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 36



FEHI

2022
ANNUAL REPORT

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The English text of this annual report shall prevail over the Chinese text

 This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Mr. Eric Todd (*Chairman*)

Mr. Cheung Sze Ming (appointed on 17 February 2023)

Mr. Zhu Weiwen (appointed on 20 March 2023)

Independent Non-executive Directors

Mr. Wong Kui Shing, Danny

Mr. Mak Ka Wing, Patrick

Mr. Lam Wai Hung (appointed on 30 September 2022)

COMPANY SECRETARY

Mr. Cheung Sze Ming (appointed on 17 February 2023)

AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Eric Todd

Mr. Cheung Sze Ming (appointed on 17 February 2023)

AUDIT COMMITTEE

Mr. Lam Wai Hung (*Chairman*)

(appointed on 30 September 2022)

Mr. Wong Kui Shing, Danny

Mr. Mak Ka Wing, Patrick

REMUNERATION COMMITTEE

Mr. Wong Kui Shing, Danny (*Chairman*)

Mr. Mak Ka Wing, Patrick

Mr. Lam Wai Hung (appointed on 30 September 2022)

NOMINATION COMMITTEE

Mr. Mak Ka Wing, Patrick (*Chairman*)

Mr. Wong Kui Shing, Danny

Mr. Lam Wai Hung (appointed on 30 September 2022)

INVESTMENT COMMITTEE

Mr. Eric Todd (*Chairman*)

Mr. Cheung Sze Ming (appointed on 17 February 2023)

Mr. Lam Wai Hung (appointed on 30 September 2022)

PRINCIPAL BANKER

Hang Seng Bank Limited

The Bank of East Asia, Limited

REGISTERED OFFICE

Unit 904, 9 Floor, Wings Building

110–116 Queen's Road Central

Central, Hong Kong

Telephone: 2110 8886

Facsimile: 2110 1159

Email: admin@fehholdings.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

LISTING INFORMATION

Stock Code: 36

Board Lot Size: 3000

WEBSITE

<http://www.0036.com.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31 December 2022 (the “Year Under Review”), Far East Holdings International Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded revenue of approximately HK\$4.7 million (2021: approximately HK\$24.8 million), representing a decrease of approximately 81.0% as compared to that of last year. The Group’s loss attributable to owners of the Company was approximately HK\$68.8 million (2021: HK\$240.7 million). The loss and total comprehensive income of the Group for the Year Under Review was approximately HK\$108.0 million (2021: HK\$267.5 million), which was mainly attributable to (i) realised loss and fair value loss on held-for-trading investments listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) of approximately HK\$4.8 million (2021: realised loss and fair value loss of approximately HK\$203.1 million); and (ii) fair value loss on investment properties of approximately HK\$79.7 million (2021: approximately HK\$55.0 million). The basic loss per share for the Year Under Review was 6.32 HK cents (2021: basic loss per share of 22.1 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had cash and bank balances and deposits held at a financial institution amounting to approximately HK\$0.8 million (2021: approximately HK\$11.4 million). The Group funds its operations from a combination of internal resources, bank borrowings, loan from a non-controlling interest and other loan.

GEARING RATIO

The gearing ratio, expressed as a percentage of total debts (including the bank borrowing, loan from a non-controlling interest, other loan, and promissory note) to equity attributable to owners of the Company was 139.3% as at 31 December 2022 (2021: 123.1%).

CAPITAL STRUCTURE

During the Year Under Review, there was no change to the share capital of the Company. As at 31 December 2022, the total number of issued ordinary shares of the Company was 1,089,118,593 (2021: 1,089,118,593) shares.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign exchange fluctuations during the Year Under Review.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31 December 2022, the Company had no contingent liabilities (2021: Nil).

Capital Commitments

As at 31 December 2022, the Group had no capital commitment (2021: Nil).

SIGNIFICANT INVESTMENTS

The Group had held-for-trading investments of approximately HK\$1.6 million as at 31 December 2022 (2021: approximately HK\$17.9 million), representing 0.1% (2021: 1.2%) of the total assets of the Group.

During the Year Under Review, the Group recorded realised loss and fair value loss on held-for-trading investments of approximately HK\$4.8 million (2021: realised loss and fair value loss of approximately HK\$203.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL RISK FACTORS

The Group's held-for-trading investments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity price risk due to the fluctuation of fair value of held-for-trading investments. Management closely monitors the market condition of listed securities and regularly reviews the exposure to the equity price risk on held-for-trading investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

There was no material acquisition nor disposal of conducted by the Group during the Year Under Review.

DIVIDEND

For the Year Under Review, the Board does not recommend any final dividend (2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2022, the Group had 7 employees in Hong Kong (2021: 7 employees). The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and sustainable development through promoting and adopting green practices in its business activities. Initiatives within the Group include, but are not limited to, encouraging employees to reduce paper consumption by reuse of single-sided printed paper, to assess the necessity of printing where appropriate and to use duplex printing.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

BUSINESS AND FINANCIAL REVIEW

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a carrying amount of approximately HK\$1,418.1 million (2021: approximately HK\$1,497.8 million) as at 31 December 2022. The Group recorded rental income of approximately HK\$4.7 million (2021: approximately HK\$24.8 million) for the Year Under Review. Management will continue to review its portfolio of investment properties and seek for potential acquisition and/or disposal opportunities from time to time.

(a) Details analysis of the rental income of the Group during the Year Under Review are as follows:

Location of the properties	Notes	Rental income		Increase/ (decrease)
		2022 HK\$'000	2021 HK\$'000	in percentage %
9/F Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	(1)	1,440	927	55.3%
10/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	(2)	124	1,741	(92.9%)
Workshop No. 5 on 4/F, Fullagar Industrial Building, 234 Aberdeen Main Road, Hong Kong	(3)	252	252	0%
Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor and Offices and Flat Roof on Fourth Floor of Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong	(4)	2,880	21,905	(86.9%)

Notes:

- (1) The property is currently divided into five rental units and a conference room. The conference room is shared among tenants of the property. At the date of this report, four out of the five rental units of the property are leased to three tenants with their leases expiration dates in March, April and July 2023 respectively. Management will seek for renewal with these tenants upon expiration of the leases.
- (2) The whole floor of this property is leased to a tenant with its lease expiration date on 14 September 2025. Decrease in rental income during the Year Under Review is mainly due to the vacancies of the whole floor for the first three quarters in 2022.
- (3) The property is an industrial unit leased to a tenant with its lease expiration date on 31 December 2023.
- (4) The property is a commercial podium of which the fourth floor and roof top of this property has been leased to a tenant with its lease expiration date on 14 August 2025.

As at the date of this report, the upper ground floor and third floor of this property have been leased to two tenants with their leases expiration dates in January 2026.

(b) Management reviews its investment properties and tenants portfolio from time to time with aims to generate stable income to the Group and for capital appreciation. Management will diversify its tenant mix, if necessary, in order to minimize the financial impact to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment in Securities

During the Year Under Review, the Group recorded realised loss and fair value loss on held-for-trading investments of approximately HK\$4.8 million (2021: realised loss and fair value loss of approximately HK\$203.1 million) attributable to unrealised loss of approximately HK\$1.3 million and realised loss of approximately HK\$3.5 million.

Details of the movement of the held-for-trading investments during the Year Under Review were listed as follows:

Stock Code	Stock Name	31 December 2021		Disposal during the year		31 December 2022	
		No. of shares	Fair value HK\$'000	No. of shares	Fair value HK\$'000	No. of shares	Fair value HK\$'000
764	ETERNITY INV	15,006,588	2,806	(15,006,588)	2,474	–	–
8063	GLOBAL M HLDG*	9,087,000	999	(9,087,000)	1,177	–	–
8178	CHINA INFO TECH**	7,916,666	1,821	(7,916,666)	1,159	–	–
8047	CHINA OCEAN GP	9,552,000	860	(9,552,000)	1,776	–	–
1557	K.H. GP HLDGS	6,000,000	2,910	–	–	6,000,000	1,560
582	LANDING INTL	7,999,200	1,864	(7,999,200)	1,597	–	–
1166	SOLARTECH INT'L	25,000,000	1,750	(25,000,000)	1,643	–	–
361	SINO GOLF HOLD	39,460,000	4,854	(39,460,000)	1,647	–	–
8078	C CREATIVE DIGI	1,264,000	55	(1,264,000)	39	–	–
307	UP ENERGY DEV (note)	3,200,000	–	–	–	3,200,000	–
404	HSIN CHONG GP (note)	35,000,000	–	–	–	35,000,000	–
587	HUA HAN HEALTH (note)	26,272,000	–	–	–	26,272,000	–
705	DINGHE MINING (note)	222,000,000	–	–	–	222,000,000	–
1106	MING LAM HLDGS (note)	140,000,000	–	–	–	140,000,000	–
			17,919		11,512		1,560

As at 31 December 2022, the held-for-trading investments amounted to approximately HK\$1.6 million (2021: approximately HK\$17.9 million). This value represented an investment portfolio comprising 1 (2021: 14) equity securities listed in Hong Kong of which 1 (2021: 10) equity securities are/were listed on the Main Board of the Stock Exchange and no (2021: the remaining 4) equity securities is listed on the GEM of the Stock Exchange.

The Group does not hold any investment accounted for five per cent or more of the Group's total asset at the end of the reporting period.

Note: These equity securities were delisted from the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS

Looking ahead, with the full reopening of the border with the Chinese Mainland and the relaxation of pandemic control measures, it will have a positive impact to the Group's property investment and securities investment. It was also expected that the Group's rental income will be increased in 2023 and the fair value of investment properties and held-for-trading investments will be increased as the city returns to normalcy. In view of the above, management will closely monitor the investment portfolio and capture opportunities in a prudent manner and balance investment risks of the Group.

Mr. Eric Todd

Chairman

Hong Kong, 29 March 2023

PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Eric Todd

Mr. Todd, aged 61, joined the Group in February 2021 as the chairman of the Board and an executive Director. Mr. Todd is also the chairman of investment committee of the Company and a director of certain subsidiaries of the Company. Mr. Todd possesses extensive professional experience in the auditing, financial management, investment and media industry. Mr. Todd holds a Bachelor's degree in Business Administration in Accounting and Finance from the School of Management of Boston University in Massachusetts, United States of America. Mr. Todd has qualified as an U.S. Certified Public Accountant in 1989 and was a member of the American Institute of Certified Public Accountants from 1989 to 2010. Mr. Todd started his career at the Hong Kong office of KPMG (formerly known as KPMG Peat Marwick) from 1985 to 1990 and subsequently joined the Standard Chartered Bank Group and worked from 1991 to 1995. Prior to joining the Company, he had been employed as a business consultant and also served as finance director for several companies engaged in the media industry.

Mr. Todd is currently an independent non-executive director of Wan Kei Group Holdings Limited (stock code: 1718) whose securities are listed on the Main Board of the Stock Exchange.

Mr. Todd was an executive director of Shi Shi Services Limited (stock code: 8181) from August 2016 to September 2020, the executive director of Chinese Food and Beverage Group Limited (stock code: 8272) from March 2020 to April 2021 and the independent non-executive director of Jimu Group Limited (stock code: 8187) from May 2021 to February 2022. The securities of these companies were/are listed on the GEM of the Stock Exchange.

Mr. Todd was a director of Tech Pro Technology Development Limited (stock code: 3823) ("Tech Pro") for the period from 13 March 2020 to 23 June 2021, the securities of Tech Pro were listed on the Main Board of the Stock Exchange and delisted on 2 March 2020.

Mr. Todd was an executive director of Hsin Chong Group Holdings Limited (stock code: 404) from March 2017 to March 2019, an executive director of DeTai New Energy Group Limited (stock code: 559) from March 2020 to September 2021 and a non-executive director of Leyou Technologies Holdings Limited (stock code: 1089) from July 2015 to December 2020, the securities of these companies were/are listed on the Main Board of the Stock Exchange.

Mr. Cheung Sze Ming

Mr. Cheung, aged 53, joined the Group in February 2023 as an executive Director, the chief financial officer, the company secretary and a member of the investment committee of the Company. Mr. Cheung has over 20 years of working experience from an international audit firm and public listed companies. Mr. Cheung is currently an executive director, the company secretary and the chief financial officer of Affluent Partners Holdings Limited, a company listed on the Stock Exchange (stock code: 1466) since April 2018, an independent non-executive director of Ocean Line Port Development Limited, a company listed on the GEM of the Stock Exchange (stock code: 8502) since November 2020, and an independent non-executive director of Great Wall Belt & Road Holdings Limited, a company listed on the Stock Exchange (stock code: 524) since March 2021.

Mr. Cheung holds a bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is also a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He had spent about 8 years in an international audit firm and was an audit manager before he left the firm. Thereafter, Mr. Cheung has held different senior positions in various public listed companies. He was an executive director and chief financial officer of Dingyi Group Investment Limited, a company listed on the Stock Exchange (stock code: 508), from October 2011 to March 2018.

PROFILE OF THE DIRECTORS

Mr. Zhu Weiwen

Mr. Zhu, aged 45, joined the Group in March 2023 as an executive Director. Mr. Zhu has over 10 years of working experience in managerial positions from companies in the Mainland China and Australia in the areas of technology, dairy production and mining. Mr. Zhu is currently an executive director and a general manager of Xiamen Oriental Hong Yu Technology Company Limited* (廈門東方虹宇科技有限公司) since May 2004, an executive director and a general manager of Ganzhou Shifeng Mining Company Limited* (贛州市鑫豐礦業有限責任公司) since July 2011, and an executive director and a general manager of Xiamen Zhengrong Investment Company Limited* (廈門正嶸投資有限公司) since August 2012. He also had been the chairman of Australia Deloraine Dairy Pty Ltd from January 2016 to April 2019. (*The English translation of the Chinese names are for identification purpose only and shall not be regarded as the official English translation of such Chinese names.)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Kui Shing, Danny

Mr. Wong, aged 63, joined the Group in July 2017 as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee, nomination committee and investment committee of the Company. Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market.

Mr. Wong is currently a non-executive director of TFG International Group Limited (“TFG”) (stock code: 542), the securities of TFG are listed on the Main Board of the Stock Exchange.

Mr. Wong was an executive director and chief executive officer of TFG from August 2015 to February 2019, an executive director of Huiyin Holdings Group Limited (stock code: 1178) from May 2017 to April 2019 and an executive director of Greater Bay Area Dynamic Growth Holding Limited (stock code: 1189) from September 2019 to August 2021. The securities of these companies are listed on the Main Board of the Stock Exchange. Mr. Wong was also an executive director of Larry Jewelry International Company Limited (stock code: 8351) from October 2016 to October 2019, an executive director of China Information Technology Development Limited (stock code: 8178) from March 2015 to March 2021 and the executive director of BCI Group Holdings Limited (stock code: 8412) from February 2021 to July 2021, the securities of these companies are listed on GEM of the Stock Exchange.

Mr. Wong was also an independent non-executive director of Tech Pro Technology Development Limited (“Tech Pro”) (stock code: 3823) from September 2017 to March 2020, the securities of Tech Pro were listed on the Main Board of the Stock Exchange for the period from 6 September 2007 to 2 March 2020.

Pursuant to the listing enforcement notice/announcement of the Stock Exchange dated 16 October 2008, Mr. Wong, together with another former director of China Oil and Gas Group Limited (“China Oil and Gas Group”) (stock code: 603), had admitted breaching the directors’ declaration, undertaking and acknowledgement with regard to directors given by each of them to the Stock Exchange in the form set out in Appendix 5B to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in failing to use their best endeavours to procure China Oil and Gas Group’s compliance with the Listing Rules in relation to the failure of China Oil and Gas Group to publish its annual results and annual report for the year ended 31 July 2005 by 30 November 2005 and the interim results and interim report for the six months ended 31 January 2006 by 30 April 2006. Accordingly, the Listing Committee of the Stock Exchange publicly criticised Mr. Wong and another former director of China Oil and Gas Group for their respective breaches mentioned above.

PROFILE OF THE DIRECTORS

Mr. Mak Ka Wing, Patrick

Mr. Mak, aged 58, joined the Group in July 2017 and was appointed as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. Mr. Mak is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years' legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998.

Mr. Mak is currently an independent non-executive director of Macau Legend Development Limited (stock code: 1680), the securities of this company are listed on the Main Board of the Stock Exchange.

Mr. Mak was an independent non-executive director of Fresh Express Delivery Holdings Group Co., Limited (stock code: 1175) ("Fresh Express") from July 2013 to December 2021, the securities of Fresh Express were listed on the Main Board of the Stock Exchange and delisted on 9 February 2023.

Mr. Lam Wai Hung

Mr. Lam, aged 43, joined the Group in September 2022 and was appointed as an independent non-executive Director, the chairman of audit committee and a member of each of the nomination committee and the remuneration committee of the Company. Mr. Lam holds a Bachelor of Accounting and Finance Degree from Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. He had been working in various companies listed on the Stock Exchange, and was responsible for works related to financial management, corporate finance, merger and acquisition, investor relationship and corporate governance.

Mr. Lam is currently an independent non-executive director of Kin Shing Holdings Limited (stock code: 1630) whose securities are listed on the Main Board of the Stock Exchange. Mr. Lam is currently an independent non-executive director of Smart City Development Holdings Limited (formerly known as Deson Construction International Holdings Limited) (stock code: 8268) whose securities are listed on GEM of the Stock Exchange. Mr. Lam was an independent non-executive director of Jimu Group Limited (stock code: 8187) for the period from 25 May 2021 to 14 January 2022 whose securities are listed on GEM of the Stock Exchange. Mr. Lam was an executive director of Ming Lam Holdings Limited (formerly known as Sino Haijing Holdings Limited) ("Ming Lam") for the period from 19 March 2015 to 4 September 2020 (stock code: 1106) whose securities were previously listed on the Main Board of the Stock Exchange until 2 November 2021.

Mr. Lam was informed that Ming Lam was ordered to be wound up and an official receiver was appointed as the provisional liquidator by the High Court of Hong Kong on 31 August 2020. Mr. Lam confirmed that he was not a party of such winding up proceedings and is not aware of any actual or potential claim that has been or will be made against him as a result of the above.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year. Further discussion and analysis of these activities as required by Schedule 5 to the 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, can be found in the Management Discussion and Analysis set out on pages 3 to 7 of this annual report. This discussion forms part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 48 to 104.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 105 of this annual report.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the investment properties and property, plant and equipment held by the Group as at 31 December 2022 are set out in notes 18 and 19 to the consolidated financial statements respectively. Particulars of the properties and property interests of the Group are set out on page 106 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders of the Company ("Shareholders") as at 31 December 2022 comprised the retained profits of approximately HK\$106,957,000 (2021: HK\$118,504,000).

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year (2021: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 8 to 10 of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business during the year.

DIRECTORS

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

Executive Directors

Mr. Eric Todd (*Chairman*)
Mr. Cheung Sze Ming (appointed on 17 February 2023)
Mr. Zhu Weiwen (appointed on 20 March 2023)
Mr. Sheung Kwong Cho (resigned on 17 February 2023)

Independent Non-Executive Directors

Mr. Wong Kui Shing, Danny
Mr. Mak Ka Wing, Patrick
Mr. Lam Wai Hung (appointed on 30 September 2022)
Ms. Kwan Shan (resigned on 30 September 2022)

Pursuant to articles 73 and 74 of the articles of association of the Company (the "Articles") and code provision A.4.2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, Mr. Eric Todd shall retire by rotation from office at the forthcoming annual general meeting of the Company (the "AGM"). He, being eligible, has offered himself for re-election as Directors at the AGM.

Pursuant to Articles 78 of the Articles of Association, Mr. Lam Wai Hung, who was appointed as an independent non-executive Director with effect from 30 September 2022 to fill the casual vacancy occasioned by the resignation of Ms. Kwan Shan, Mr. Cheung Sze Ming, who was appointed as an executive Director with effect from 17 February 2023 to fill the casual vacancy occasioned by the resignation of Mr. Sheung Kwong Cho and Mr. Zhu Weiwen, who was appointed as an executive Director with effect from 20 March 2023, shall hold office until the AGM and being eligible, will offer themselves for re-election as Directors at the AGM.

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Mr. Eric Todd and Mr. Cheung Sze Ming are also directors in certain subsidiaries of the Company. Other director of the Company's subsidiaries during the year and up to the date of this report was:

Class Success Limited

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Mr. Cheung Sze Ming has entered into a service agreement with the Company in relation to his appointment as the chief financial officer, company secretary and authorised representative of the Company. He has no fixed term of service and such appointment may be terminated in accordance with its terms.

Mr. Eric Todd, Mr. Wong Kui Shing, Danny, Mr. Mak Ka Wing, Patrick, Mr. Lam Wai Hung and Mr. Zhu Weiwen were appointed to the Board pursuant to their respective letters of appointment, for a term of one year, and such appointment may be terminated in accordance with its terms.

Save as disclosed above, none of the Directors who is proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2022, none of the Directors or chief executives of the Company and their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its 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.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO discloses no person as having a notifiable interest or short position in the share capital of the Company as at 31 December 2022.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest and the Group's largest customer accounted for approximately 97% and 61% of the total revenue for the Year Under Review, respectively.

The Group's five largest and the Group's largest supplier accounted for approximately 76% and 47% of the total rental operating cost for the Year Under Review, respectively.

At no time during the year did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's number of issued shares) have an interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 35 to 43 of this annual report.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the CG Code.

During the year ended 31 December 2022, the Audit Committee met two times to consider the financial reporting matters. The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters including the review of the consolidated financial statements. As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Wai Hung (chairman of the Audit Committee), Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.

The final results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results was in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares during the year and up to the latest practicable date of this annual report.

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 13 and 15 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence.

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 were audited by BDO Limited who will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed in the forthcoming annual general meeting of the Company.

APPRECIATION

I would like to express my sincere gratitude to the Board, our management and to all our staff for their dedicated efforts during this year, as well as to our customers, suppliers, business partners and Shareholders for their continuous and full support to our Group.

On behalf of the Board

Mr. Eric Todd
Chairman

Hong Kong, 29 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Far East Holdings International Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) are pleased to present its 2022 Environmental, Social and Governance (“ESG”) Report (the “Report”), which outlines the Group’s management approaches, measures and performance on ESG related issues.

Reporting Standard

The Report has been prepared pursuant to the Environmental, Social and Governance Reporting Guide (“ESG Guide”), which is the Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of SEHK. A content index is provided at the end of the Report for the ease of reference.

The Report adheres to the following four reporting principles:

Reporting Principles	Definition	The Group’s Application
Materiality	The ESG issues determined by the Group are sufficiently important to stakeholders that they should be reported.	This Report emphasises the material ESG issues as identified and assessed by the board of directors (the “Board”). These are issues that are of most importance to the Group’s business and reflect our significant environmental and social impacts.
Quantitative	Key performance indicators (“KPIs”) and their data should be measurable and comparable where appropriate, enabling evaluation of the effectiveness of ESG policies and management systems.	The Report contains KPIs that are measured and disclosed quantitatively whenever applicable. An external professional consultant is appointed to assess the performance with reference to applicable standards and guidelines.
Balance	The report should provide an unbiased picture of ESG performance, allowing stakeholders to objectively evaluate the Group’s ESG performance.	The Report provides an unbiased narrative for stakeholders to objectively evaluate the Group’s ESG performance.
Consistency	Statistical methodologies should be consistent and historical data should be provided where feasible to allow for meaningful comparisons of ESG performance over time.	Unless otherwise stated, the reporting scope and methodology are consistent with the previous reports to allow meaningful comparison. Changes are provided with explanations or remarks. Historical data are disclosed where feasible.

Reporting Boundary and Period

In line with the previous reports, this Report covers the operation of the Group's registered office in Hong Kong, including the business segments of property investment and securities investment, which contributes 100% of the revenue of the Group. Unless otherwise stated, information disclosed in the Report applies to the financial year for the period from 1 January 2022 to 31 December 2022 (the "Reporting Period").

Approval and Publication

The Report has been prepared based on the adopted policies, official documents and data records of the Group. The Report has been reviewed and approved by the Board on 29 March 2023. Both English and Chinese versions of the Report are available on the Group's website and the HKEXnews website.

Your Comments

The Group believes opinions from stakeholders are important to assist management to enhance the Group's work and approach related to ESG. Details of the communication channels are as follows:

Address: Unit 904, 9/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong
Email: admin@feholdings.com.hk
Fax: (852) 2110 1159

STATEMENT FROM THE BOARD

Amid an unprecedented mix of challenges, from the on-going COVID-19 pandemic, climate change, to other social and environmental crises, the Group has continued to show its ability and willingness to overcome the challenges and capture opportunities in a prudent manner. As those challenges evolve and new variants emerge, the global economy faces the urgency of accelerating the low-carbon transition.

In the new era of uncertainty and transformation, success will be based on business resiliency and sustainability, including the ability to anticipate, respond and adapt to varying financial and non-financial risks. The Board plays a vital role in overseeing and guiding sustainability and risk management across the Group to promote business continuity and safeguard the interest of its stakeholders.

With climate change identified as one of its material issues, the Group continued to evaluate and review the exposure of its properties and investment to climate-related risks, and developed contingency plans for climate-related events with its stakeholders. The Group supports the HKSAR Government's call for carbon neutrality by 2050 through maintaining green office practices to achieve its environmental targets established.

Understanding that there is a growing body of evidence indicating that sustainability factors influence financial returns and present an opportunity to drive long-term value, the Group will continue to deepen the sustainability concept in its decision-making, investment strategy and business operations, by reinforcing its socially and environmentally responsible practices. Through working closely with its partners along the value chain, we will be able to leverage expertise to achieve joint successes and transition to a sustainable economy.

On behalf of the Board

Eric Todd

Chairman & Executive Director

OUR APPROACH TO ESG

Governance and Risk Management

The Group recognises the importance of having robust corporate governance in leading it to achieve sustainability and business success. The Board undertakes the overall responsibility for overseeing and driving the overall direction of the Group’s ESG related issues, including risks, strategy, targets, policies, practices and performance. Works associated with ESG are shared among the Board and two dedicated full time staff members. To ensure the direction aligns the expectations of its stakeholders and business objectives, the Board regularly reviews the Group’s ESG strategy and progress of achieving related goals. Meetings are held at least annually to discuss ESG related issues.



The Group’s business strategies are developed and implemented by taking account of risks that may affect its business. With the support of the Audit Committee, the Board is responsible for supervising the Group’s risk management and internal control system and ensuring its effectiveness. The Audit Committee identifies and assesses the significance, likelihood and consequences of risks, including ESG related risks, relevant to the Company. An Internal Control Policies and Procedures Manual (the “IC Manual”) provides guidance on the relevant procedures and practices.

Compliance Management

The Group adheres to high-level standard and is committed to complying with all applicable laws and regulations. Any non-compliance may result in fines, penalties, enforcement actions from regulators or other stakeholders or other consequences that may pose an impact on the Group's business operations and reputation. The Group strives to minimise its exposure to regulatory risk by ensuring compliance within its operations. A mandatory compliance program and monitoring system are established and outlined in the IC Manual for which our Directors and employees are required to observe. During the Reporting Period, there was no recorded incidence of non-compliance with relevant laws and regulations. Below is a list of laws and regulations with the Group's compliance status.

Aspects	Laws and Regulations that have a Significant Impact on the Group	Compliance Status
Emissions	<ul style="list-style-type: none"> Air Pollution Control Ordinance Waste Disposal Ordinance 	Not aware of any non-compliance
Employment and Labour Standards	<ul style="list-style-type: none"> Employment Ordinance Minimum Wage Ordinance Employees' Compensation 	Not aware of any non-compliance
Health and Safety	<ul style="list-style-type: none"> Occupational Safety and Health Ordinance Employees' Compensation Ordinance 	Not aware of any non-compliance
Product Responsibility	<ul style="list-style-type: none"> Copyright Ordinance Personal Data (Privacy) Ordinance 	Not aware of any non-compliance
Anti-corruption	<ul style="list-style-type: none"> Prevention of Bribery Ordinance Anti-Money Laundering and Counter-Terrorist Financing Ordinance 	Not aware of any non-compliance or any concluded legal cases against the Group or its employees

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement is considered as a core part of the Group's ESG strategy. Understanding and addressing stakeholders' expectations and concerns enables the Group to keep ahead of the latest ESG trends. The Group identifies its key stakeholders by considering individuals who have a significant influence on the Group's business operations, as well as those who would be substantially impacted by its activities, such as the management, employees, shareholders and investors, regulators, tenants, business partners and the community. During the Report Period, the Group maintained regularly communication with stakeholders through a variety of channels, such as general meetings, interviews, surveys, and other daily activities. To identify and prioritise ESG issues that are important to the Group, an independent consultant has been appointed to conduct a materiality assessment through carrying out an online survey with the Board. 4 out of 15 ESG issues were considered as material issues of the Group.

Material Issues		Section
1.	Climate Change	Managing Environmental Footprint
2.	Labour Standards	Caring for Employees
3.	Anti-corruption	Upholding Ethical Operations
4.	Community Investment	Giving Back to the Community

MANAGING ENVIRONMENTAL FOOTPRINT

The Group is fully aware of the importance of achieving environmental sustainability. In response to global environmental challenges, the Group has set its environmental targets and measures that strive to enhance the sustainability in its operations and combat climate change. The Group is also determined to conserve and optimise the use of energy, water, and other natural resources in our daily operations. The Green Office Policy provides guidance on emissions and resources management.

Emissions
<p>Target: The Group is committed to reduce greenhouse gas (“GHG”) and air emissions through the adoption of appropriate measures.</p> <p>Measures:</p> <ul style="list-style-type: none"> • Implement energy efficiency-related measures; • Adopt a fully electric vehicle fleet.
Wastes reduction
<p>Target: The Group is committed to continuously reducing the generation of waste across the operations and ensuring waste is properly managed through the adoption of appropriate measures.</p> <p>Measures:</p> <ul style="list-style-type: none"> • Implement an office “swap closet” for exchanging office supplies, particularly during the transition between former and new employees; • Share edible leftover food and beverages for employee or people in need following meetings or events; • Minimize disposables and encourage the use of biodegradable and reusable products, including dining items; • Go digital to reduce paper waste; • Recycle all the hazardous waste and paper waste generated.

Energy efficiency

Target:

The Group strives to reduce the consumption of energy by implementing appropriate measures.

Measures:

- Enable eco-friendly options setting as default on all copiers, printers and other electronic equipment;
- Enable the time control of air conditioner to automatically switch off after official hours;
- Enable the time control of copiers and printers to automatically switch off after official hours or enter energy saving modes after long periods of inactivity;
- Purchase appliances with Grade 1 energy labels or "Recognition Type" energy label upon replacement of old appliances.

Water efficiency

Target:

The Group is committed to minimising water consumption and ensuring fresh water is being consumed in a sustainable manner.

Measures:

- Avoid the use of bottled water in the office and during meetings and encourage employees to use the tap water;
- Install water tap flow controllers to reduce water consumption;
- Monitor the data and arrange investigations and maintenance promptly.

Climate Change

Recognising the risks and opportunities that climate change presents to financial markets, the Group has established a climate change policy and incorporated climate change considerations in its decision-making process to manage its climate-related issues.

The policy addresses climate change with four major approaches, including mitigation, adaptation, resilience and disclosure. Apart from evaluating and regularly reviewing its exposure to climate related-risks for its properties and investment, the Group will work with suppliers, property managers and tenants to establish contingency plans for climate-related events.

The Group will continue to review its approaches to identifying and managing climate related risks that are significant to the Group, thereby strengthening its climate resiliency and business sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions

The Group continues to commission a professional consultant in conducting carbon assessment and quantify the GHG emissions of its operations. The GHG emissions calculations were carried out in accordance with the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong”, compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong SAR government.

During the Reporting Period, the Group’s total GHG emission, including scope 1, 2 and 3 emissions, decreased to 7.5 tonnes CO₂e, representing a 45% decrease compared with the previous year. The major contribution comes from indirect emission of its electricity usage. The Group’s direct emission of air pollutants is recorded 0, which is achieved by adopting electric vehicle.

Waste

The Group strives to reduce the generation of hazardous and non-hazardous waste through the prevention, reduction, recycling and reuse of materials. During the Reporting Period, the Group generated 0.015 tonnes of non-hazardous waste, including office waste and paper waste, and did not produce any hazardous waste. Office waste was collected by the property management and directed to the landfill, while paper waste was collected for recycling.

Energy

During the Reporting Period, the Group consumed a total of 10.2 MWh of energy, representing a 16% decrease compared with the previous year.

Water

The Group sources potable water from municipal supplies and has no issues regarding water sourcing. During the Reporting Period, the Group consumed 30.0 cubic metres of water.

Paper

During the Reporting Period, the Group consumed 0.1 tonnes of paper for office use.

Given its business nature, the Group only consumes limited resources and generates minimal emissions and waste in its operations, thereby, does not result in significant impact on the environment and natural resources. Despite that, the Group recognises its investment strategy could make an impact on driving sustainability. The Group will further explore the possibility of embedding ESG considerations into its investment strategy, which could create long-term values to both the shareholders and the society as a whole.

CARING FOR EMPLOYEES

The Group believes that enhancing its operational performance lies in employee satisfaction. To achieve mutual development and growth with employees, the Group attracts and retains talents through offering a safe, harmonious and inclusive workplace, competitive remuneration packages and benefits.

Employee Management

All employment related policies and arrangements, including recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other welfare, are guided and managed by the Employee Handbook and individual employees' contract.

Recruitment, promotion and dismissal	<ul style="list-style-type: none"> All candidates and employees are evaluated based on objective criteria, such as their competencies, qualifications, experience and skills. A standard resignation and termination procedures is in place to protect the benefits of employer and employees who wish to terminate or resign.
Compensation and benefits	<ul style="list-style-type: none"> Employee compensation, which includes a base salary and an incentive bonus, is determined by the employee's performance, contribution, market trend, and the overall result of the Group. Employees are entitled to paid annual leaves and sick leaves, bereavement/compassionate leaves, marriage and maternity leaves. Medical and insurance coverage, Mandatory Provident Fund, and other statutory benefits are provided.
Diversity, equal opportunity and anti-discrimination	<ul style="list-style-type: none"> Employees are encouraged each other with dignity. Recruitment, compensation and other employment practices are based on the competencies, qualifications, experience and skills of candidates or employees, irrespective of their race, religion, gender, age, nationality, disability or other forms of discriminations.
Labour standards	<ul style="list-style-type: none"> All forms of child and forced labour are strictly prohibited within the Group. Identification and reference checks are arranged for candidates before hiring to avoid the misuse of child labour, while employment relationships are governed by individual contracts. If any cases of breaching labour rights are discovered, the Group will immediately terminate the misbehaviour and take appropriate remedial actions, such as protecting the victim, conducting review and introducing appropriate corrective measures and arrangements.
Communication and grievance system	<ul style="list-style-type: none"> An open door policy is adopted to encourage communication among all employees without management hierarchies. Employees can report any misbehaviours to the management or the human resources department. Reported incident will be confidentially investigated, and misbehaviours are subject to disciplinary actions up to and including termination.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health, Safety and Well-being

Safeguarding employees' health and safety and promoting their well-being is one of the Group's priorities. A set of policies and guidelines are implemented to mitigate and monitor occupational risks, covering practices and guidance on pandemic outbreaks, fires, accidents, emergencies, typhoons, and rainstorms. To promote health and safety awareness, relevant office notices are displayed in office and employees are encouraged to choose vegetarian meals as a healthier choice during the Group's catering events.

To maintain workplace safety, the Group continues to operate in line with the guides issued by health authorities to minimise infection in its offices while COVID-19 spreads in the community. Facemasks and hand sanitisers are distributed to employees to safeguard their health, while leaflets and posters are displayed in the office to promote anti-pandemic measures.

During the Reporting Period, there were no records related to work injuries or fatalities.

Training and Development

The Group advocates professional development of its employees for maintaining personal and corporate competitiveness, amid the fast changing environment. The Employee Handbook outlines the Group's approach to training and development. The Group provides various training programmes and activities that meet employees' and operational needs. To encourage employees to attend external training and obtain professional recognition, early leave for training and examination leave are offered. A mentoring program is available for newcomers, which enables them to adapt to the business and workplace. The mentor will help their mentee to reach their true potential through extensive guidance and support.

To support the development of the Group's employees, annual performance reviews are arranged with employees to identify and discuss development goals and opportunities. Employees will also be recommended to receive regular updates on the rules and regulations relevant to the Group.

During the Reporting Period, all employees of the Group received training, with an average of 158.6 training hours per employee.

UPHOLDING ETHICAL OPERATIONS

The Group considers business integrity to be the cornerstone of its growth and sustainability in the long run. The Group's activities, including service responsibility, anti-corruption and supply chain management, are imbued with responsible practices.

Anti-corruption

The Group is dedicated to operate with business integrity and transparency, and has zero tolerance towards all forms of corruption, including bribery, extortion, fraud, and money laundering. To raise awareness against corruption and understanding of relevant legislations, practices of preventing and reporting potentially fraudulent activities are covered in the IC Manual and the Employee Handbook.

All employees are required to comply with relevant laws and regulations. An Investment Committee is set up to review and approve investments that might have a significant financial impact on the Group. If there is a potential conflict of interest, the investment or other business dealing in consideration should be halted, and such potential should be reported to the Board for appropriate resolution.

Employees are forbidden to offer or accept benefits related to the affairs or business of the Group. They are advised to report questionable and improper acts or misconduct through the Group's whistle-blowing mechanism. The identity of whistleblowers will be protected, and all reported incidents are handled confidentially.

During the Reporting Period, our Board members and employees were provided with online material for an anti-corruption training.

Service Responsibilities

To advance the management of relationship with the tenants, the Group has established property management and rental policies and procedures in 2021. These policies and procedures cover the tenant screening process, tenant move-ins and move-outs, and the execution and conclusion of lease agreements, which aid in raising service quality standards, outlining clear responsibilities, and facilitating communications between the parties.

The Group places a high priority on safeguarding stakeholders' confidential information throughout its business operations. Privacy and confidentiality procedures are outlined in the IC Manual. Data protection measures are implemented to monitor the compliance that falls under the purview of the Chief Financial Officer (CFO), who also serves in the capacity of Privacy and Confidentiality Leader (PCL). PCL is responsible for reviewing pertinent laws, developing and maintaining the necessary facilities, and training personnel. All employees must sign confidentiality agreements to ensure the acknowledgement of such obligations to protect information and prevent misuse of personal or confidential data.

The Employee Handbook specifies how employees should respect intellectual properties. All work created by the employees during their employment belongs solely and exclusively to the Group. Employees must also create their original works to avoid violating the rights of others. Before collaborating with any co-creators, employees must provide the Group with written notice and acquire their permission in writing. Employees are reminded that using, creating, or obtaining unauthorised copies of software is prohibited and will result in disciplinary actions.

The Group will continue to review its operational needs, together with the latest requirements and stakeholders' expectations, to develop or update its policies regarding its services rendered.

Supply Chain Management

The Group is committed to governing the environmental and social risks throughout its supply chain. To ensure an open and equitable procurement process, a series of criteria is established for reference in considering and selecting suppliers. These criteria include the quality and safety of product and service, price, reputation, and the environmental performance and social responsibility of suppliers. The Group gives priority to suppliers with durable and sustainable products, thereby promoting green purchasing practices. Examples include energy-efficient office appliances and products made with recyclable materials and less packaging.

During the Reporting Period, the Group continued to obtain professional services and office supplies from 26 Hong Kong suppliers. All of them went through the selection process, with 10 of them on which ESG practices are implemented.

In line with the global sustainable trend, the Group plans to strengthen its capability of managing supply chain-related risks to mitigate the negative impacts of procurement that may pose to the environment and society.

GIVE BACK TO THE COMMUNITY

As a member of the local community, the Group upholds the ideals of taking from society, giving back to society, and strives to fulfill its social responsibility. The Group pays close attention to the community needs and engages itself in volunteer activities in various fields, particularly social welfare.

During the Reporting Period, the Group continued its support to the Hong Kong Movie Star Sports Association Charities Limited and Senior Citizen Home Safety Association. Our employees participated in community activities, such as visiting senior citizens in their homes to distribute rice and other basic commodities and to celebrate traditional holidays with them.

Looking ahead, the Group will continue to adhere to being a responsible corporate citizen, refine the relevant policy and explore community investment opportunities that align the needs of the community and its business objectives.

SUMMARY OF KPIS

Environmental Performance

Environmental KPIS		Quantity			Unit
		2022	2021	2020	
A1.1	Air emissions				
	Nitrogen oxides (NO _x)	0	0	1.5	kg
	Sulphur oxides (SO _x)	0	0	0.1	kg
	Respirable suspended particulates (RSP)	0	0	0.1	kg
A1.2	Greenhouse gas (GHG) emissions				
	Scope 1	0	0	10.4	tonnes CO ₂ -e
	Scope 2	7.2	8.6	10.7	tonnes CO ₂ -e
	Scope 1 and 2 Total GHG emissions	7.2	8.6	21.1	tonnes CO ₂ -e
	Scope 3	0.3	5.1	5.0	tonnes CO ₂ -e
	Scope 1, 2 and 3 Total GHG emissions	7.5	13.7	26.1	tonnes CO ₂ -e
	GHG emissions intensity	1.1	2.0	3.7	tonnes CO ₂ -e/ employee
A1.3	Hazardous waste¹				
	Total hazardous waste	0	0.0009	0.003	tonnes
	Hazardous waste intensity	0	0.0001	0.0004	tonnes/employee
A1.4	Non-hazardous waste				
	Total non-hazardous waste	0.015	0.068	0.121	tonnes
	Non-hazardous waste intensity	0.002	0.01	0.02	tonnes/employee
A2.1	Energy consumption				
	Petrol	0	0	34.0	MWh
	Purchased electricity	10.2	12.1	13.2	MWh
	Total energy consumption	10.2	12.1	47.2	MWh
	Energy consumption intensity	1.5	1.7	11.8	MWh/employee
A2.2	Water consumption				
	Total water consumption	30.0	10.7 ²	13.1	m ³
	Water consumption intensity	4.3	1.5	1.9	m ³ /employee
A2	Paper consumption				
	Total paper consumption	0.1	–	–	tonnes
	Paper consumption intensity	0.01	–	–	tonnes/employee

¹ Hazardous waste includes waste batteries, waste fluorescent light tubes and waste toner cartridges.

² Some data not yet available as of reporting and estimated on a pro rata basis.

Social Performance

Social KPIs

Workforce ³		2022	2021
Gender	Male	5	4
	Female	2	3
Age group	Below 30	0	0
	30 to 50	3	3
	Above 50	4	4
Employee category	Senior management	5	5
	Middle management	1	1
	General staff	1	1
Employment type	Full-time	7	7
Total workforce		7	7

Employee turnover rate		2022	2021
Gender	Male	0%	0%
	Female	100%	0%
Age group	Below 30	0%	0%
	30 to 50	67%	0%
	Above 50	25%	0%
Total employee turnover rate		43%	0%

Work-related fatality and/or injury	2022	2021	2020
Number of work-related fatalities	0	0	0
Number of employees injured at work	0	0	0
Injury rate	0%	0%	0%
Lost days due to work injury	0	0	0

³ All employees are in Hong Kong operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee training		2022	2021
Percentage received training ⁴		100%	100%
Average training hours ⁵		17.9	128.6
Gender	Male	15	15
	Female	25	280
Employee category	Senior management	15	18
	Middle management ⁶	40	800
	General staff	10	10

Supply Chain Management		2022	2021
Number of suppliers (location)		26 (Hong Kong: 100%)	26 (Hong Kong: 100%)

Community Investment		2022	2021
Number of volunteer hours		15	15

⁴ Percentage received training = total number of employees trained in the category/number of employees in the category. The percentage of employees trained by gender and employee category are both 100%.

⁵ Average training hours = total training hours for employees in the category/number of employees in the category. Exclude the training hours of resigned employees during the Reporting Period.

⁶ Include training hours of on-job training. The Company is an authorised employer of the Practical Experience Framework under Hong Kong Institute Certified Public Accountants.

HKEX ESG GUIDE CONTENT INDEX

Disclosure/ KPIs	Content	Page Index/ Remarks
Mandatory Disclosure Requirements		
Governance Structure	(i) A disclosure of the board's oversight of ESG issues.	18-19
	(ii) The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses).	18-19
	(iii) How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	18-19
Reporting Principles	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	16
	Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	16
	Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	16
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	17
Comply or Explain Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	20, 21
A1.1	The types of emissions and respective emissions data.	23, 28
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	23, 28
A1.3	Total hazardous waste produced and intensity.	23, 28
A1.4	Total non-hazardous waste produced and intensity.	23, 28
A1.5	Description of emission target(s) set and steps taken to achieve them.	21
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	21

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Disclosure/ KPIs	Content	Page Index/ Remarks
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	21
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	23, 28
A2.2	Water consumption in total and intensity.	23, 28
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	22
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	22-23
A2.5	Total packaging material used for finished products and per unit produced.	The Group does not provide tangible products and is not involved in packaging.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	21-23
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	21-23
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	22
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	22
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	20, 23-24
B1.1	Total workforce by gender, employment type, age group and geographical region.	29
B1.2	Employee turnover rate by gender, age group and geographical region.	29

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Disclosure/ KPIs	Content	Page Index/ Remarks
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	20, 25
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	25, 29
B2.2	Lost days due to work injury.	29
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	25
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	25
B3.1	The percentage of employees trained by gender and employee category.	25, 30
B3.2	The average training hours completed per employee by gender and employee category.	25, 30
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	20, 24
B4.1	Description of measures to review employment practices to avoid child and forced labour.	24
B4.2	Description of steps taken to eliminate such practices when discovered.	24
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	26
B5.1	Number of suppliers by geographical region.	26, 30
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	26, 30
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	26
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	26

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Disclosure/ KPIs	Content	Page Index/ Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	20, 26
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group does not provide tangible products.
B6.2	Number of products and service-related complaints received and how they are dealt with.	Received no complaints.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	26
B6.4	Description of quality assurance process and recall procedures.	26
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	26
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	20, 25-26
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	20
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	25-26
B7.3	Description of anti-corruption training provided to directors and staff.	26
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	27
B8.1	Focus areas of contribution.	27
B8.2	Resources contributed to the focus area.	27, 30

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in this annual report for the year ended 31 December 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company has complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company did not officially have a chief executive officer. The daily operation of the Group's business is handled by the executive Directors collectively. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who meet from time to time to discuss issues affecting the operations of the Group. As there is a clear division of responsibilities of each Director, the vacancies of chief executive officer and chairman did not have any material impact on the operations of the Group. The Board will continue to review the effectiveness of the Group's structure as business continues to develop in order to assess whether any changes, including the appointment of a chief executive officer, is necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year Under Review.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board, while the management of the Company is responsible for the daily management and operations of the Group. The Board is directly accountable to the Shareholders and is responsible for preparing the accounts.

During the Year Under Review, the management of the Company provided (i) sufficient explanation and information to the Board to enable it to make an informed assessment of the financial and other information put before it for approval; and (ii) all the Directors with timely updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Board Composition

The Board currently comprises six Directors, whose biographical details are set out in the “Profile of the Directors” on pages 8 to 10 of this annual report. Three of the Directors are executive and three are independent non-executive. The three independent non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required to devote sufficient business time to the business and affairs of the Group.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company at www.0036.com.hk.

To the best of the knowledge and belief of the Directors, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

Appointment, Re-election and Removal of Directors

In accordance with article 73 of the Articles, at the annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office.

In accordance with article 78 of the Articles, a director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

In accordance with article 80 of the Articles, the Company may by an ordinary resolution remove any Director (including a managing or other executive Director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead.

The Company has taken out appropriate and sufficient insurance coverage on Directors’ liabilities in respect of legal actions taken against the Directors arising from the corporate activities.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation in respect of his/her independence during the Year Under Review pursuant to Rule 3.13 of the Listing Rules. All the independent non-executive Directors are still considered to be independent.

Board Meetings

The Board meets regularly to review the financial and operating performance of the Group and considers and approves the overall strategies and policies of the Group. An agenda accompanying the Board/committee papers is distributed to the Directors/members of the Board committees with reasonable notice in advance of the meetings. Minutes of the Board meetings and Board committees meetings, which record in sufficient details the matters considered by the Board/members of the Board committees and decisions reached, including any concerns raised by the Directors/members of the Board committees or dissenting views expressed, are kept by the company secretary of the Company and open for inspection by the Directors. Full Board meetings were held for any material transactions instead of by way of written resolutions and the independent non-executive Directors who, and whose close associates, have no material interest in the transactions were present at such meetings. All the Directors have separate and independent access to the Company’s senior management to fulfill their duties, and to independent professional advice in appropriate circumstances upon reasonable request, at the expense of the Company.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, five Board meetings and one general meeting were held. The attendance record of each Director at the Board meetings and the general meeting is set out in the table below:

	Board meeting attended/ Eligible to attend	General meeting* attended/ Eligible to attend
Executive Directors		
Mr. Eric Todd	5/5	1/1
Mr. Cheung Sze Ming (appointed on 17 February 2023)	N/A	N/A
Mr. Zhu Weiwen (appointed on 20 March 2023)	N/A	N/A
Mr. Sheung Kwong Cho (resigned on 17 February 2023)	5/5	1/1
Independent Non-Executive Directors		
Mr. Wong Kui Shing, Danny	5/5	1/1
Mr. Mak Ka Wing, Patrick	5/5	1/1
Mr. Lam Wai Hung (appointed on 30 September 2022)	2/2	N/A
Ms. Kwan Shan (resigned on 30 September 2022)	3/4	1/1

* The meeting was the annual general meeting held on 2 June 2022.

Continuous Professional Development

According to the records maintained by the Company, the Directors have participated in the following forms of continuous professional development to develop and refresh their knowledge and skills in compliance with the requirements of the CG Code on continuous professional development for the year ended 31 December 2022:

Directors	Attending in-house briefings	Attending training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors			
Mr. Eric Todd	–	✓	✓
Mr. Cheung Sze Ming (appointed on 17 February 2023)	–	✓	✓
Mr. Zhu Weiwen (appointed on 20 March 2023)	–	–	–
Mr. Sheung Kwong Cho (resigned on 17 February 2023)	✓	✓	✓
Independent non-executive Directors			
Mr. Wong Kui Shing, Danny	–	–	✓
Mr. Mak Ka Wing, Patrick	–	✓	✓
Mr. Lam Wai Hung (appointed on 30 September 2022)	–	✓	✓
Ms. Kwan Shan (resigned on 30 September 2022)	–	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman is held by Mr. Eric Todd. The Company has not had a designated chief executive officer and the day-to-day management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The existing independent non-executive Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company.

During the Year Under Review, the independent non-executive Directors made positive contributions to the development of the Company's strategies and policies through independent, constructive and informed comments.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective risk management and internal control system of the Group. The Group's risk management and internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, detailed risk identification procedures and risk management process, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant laws and regulations.

During the Year Under Review, the Board through the Audit Committee had conducted review on the risk management of the Group. The review covered risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement.

The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. During the Year Under Review, the Board, through the Audit Committee and an independent accounting firm, has conducted a review of the effectiveness of the internal control system of the Company and is satisfied that the internal control systems within the Group are effective.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the auditors of the Company received approximately HK\$560,000 for audit services (2021: HK\$580,000).

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparation of the consolidated financial statements of the Group for the year ended 31 December 2022 which give a true and fair view of the state of affairs of the Group, and are prepared in accordance with the applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements of the Group. The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 44 to 47 of this annual report.

BOARD COMMITTEES

The Board has established the following Board committees to oversee the particular aspects of the Group's affairs.

Audit Committee

The Audit Committee was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the CG Code and are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Audit Committee is principally responsible for reviewing with the management of the Company, the accounting principles and practices adopted by the Group and the auditing, risk management and internal control system, financial reporting matters including the review of the consolidated financial statements, and appointment, re-appointment and removal of external auditor and approving its remuneration and terms of engagement and any questions of resignation or dismissal of that auditor. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. Currently, the Audit Committee comprises all the independent non-executive Directors, namely, Mr. Lam Wai Hung (chairman of the Audit Committee), Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.

The works performed by the Audit Committee during the Year Under Review are mainly as follows:

- (i) reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2022 and the related interim results announcement and made recommendations to the Board that the same be approved;
- (ii) reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 and the related annual results announcement and auditor's report; and made recommendations to the Board that the same be approved;

- (iii) reviewed external auditor's report to the Audit Committee for the year ended 31 December 2022;
- (iv) reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the annual general meeting on 2 June 2022;
- (v) reviewed corporate governance and internal control systems, enterprise risk assessment report, internal control review report and effectiveness of risk management system;
- (vi) reviewed the fees for audit and non-audit services provided by the external auditor; and
- (vii) met with the external auditor in the absence of management.

During the year ended 31 December 2022, two meetings were held. The attendance record of each member of the Audit Committee is as follows:

	Audit Committee meeting attended/ Eligible to attend
Mr. Lam Wai Hung (chairman of the Audit Committee)	0/0
Mr. Wong Kui Shing, Danny	2/2
Mr. Mak Ka Wing, Patrick	1/2
Ms. Kwan Shan (resigned on 30 September 2022)	2/2

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established by the Board with written terms of reference. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the CG Code, and the same are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management of the Company. No Director is involved in deciding his own remuneration. Currently, the Remuneration Committee comprises all the independent non-executive Directors, namely, Mr. Wong Kui Shing, Danny (chairman of the Remuneration Committee), Mr. Mak Ka Wing, Patrick and Mr. Lam Wai Hung.

During the Year Under Review, the Company's policy and the structure of the remuneration of all the Directors and senior management of the Company have been reviewed by the Remuneration Committee and recommendations have been made to the Board for approval.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, two Remuneration Committee meetings were held. The attendance record of each member of the Remuneration Committee is as follows:

	Remuneration Committee meeting attended/ Eligible to attend
Mr. Wong Kui Shing, Danny (chairman of the Remuneration Committee)	2/2
Mr. Mak Ka Wing, Patrick	1/2
Mr. Lam Wai Hung	0/0
Ms. Kwan Shan (resigned on 30 September 2022)	1/2

Nomination Committee

The nomination committee (the "Nomination Committee") was established by the Board with written terms of reference. The terms of reference of the Nomination Committee are consistent with the provisions set out in the relevant section of the CG Code, and the same are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition. Currently, the Nomination Committee comprises all the independent non-executive Directors, namely, Mr. Mak Ka Wing, Patrick (chairman of the Nomination Committee), Mr. Wong Kui Shing, Danny and Mr. Lam Wai Hung.

The Board approved the adoption of the Board Diversity Policy (the "Policy") in 2013 and revised in December 2018. It sets out the approach to achieve diversity on the Board to enhance the quality of its performance. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. The Nomination Committee will monitor the implementation of the Policy and review the Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will also discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

During the Year Under Review, the structure, size and composition of the Board has been reviewed by the Nomination Committee and the independence of the independent non-executive Directors has been assessed by the Nomination Committee.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, two Nomination Committee meetings were held. The attendance record of each member of the Nomination Committee is as follows:

	Nomination Committee meeting attended/ Eligible to attend
Mr. Mak Ka Wing, Patrick (chairman of the Nomination Committee)	1/2
Mr. Wong Kui Shing, Danny	2/2
Mr. Lam Wai Hung	0/0
Ms. Kwan Shan (resigned on 30 September 2022)	1/2

Investment Committee

The investment committee of the Company (the "Investment Committee") was established by the Board with written terms of reference.

The Investment Committee is principally responsible for reviewing and evaluating any investment projects proposed by the Group and making recommendations to the Board on such investment projects. It also monitors the investments of the Group. Currently, the Investment Committee comprises Mr. Eric Todd (chairman of the Investment Committee) and Mr. Cheung Sze Ming, both of whom are executive Directors, and Mr. Wong Kui Shing, Danny, an independent non-executive Director.

During the Year Under Review, the Investment Committee provided guidance and recommendations to the Board on investment projects.

CORPORATE GOVERNANCE FUNCTIONS

During the Year Under Review, the Board was responsible for performing the functions set out in code provision D.3.1 of the CG Code. The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

During the Year Under Review, the company secretary of the Company was Mr. Sheung Kwong Cho ("Mr. Sheung"). Mr. Sheung confirmed that he had received not less than 15 hours professional training during the Year Under Review. Subsequently to the reporting date, Mr. Sheung was resigned and Mr. Cheung Sze Ming was appointed as the company secretary of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communications with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publications of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.0036.com.hk. The Directors and members of various committees of the Board will attend the AGM and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company at www.0036.com.hk.

DIVIDEND POLICY

The Company do not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, results of operations, financial condition, the payment by the Group's subsidiaries of cash dividends to the Company, future prospects, legal and tax considerations and other factors the Board deems appropriate. The Directors will consider if there is material adverse impact on the Group's financial and liquidity position arising out of the dividend payments. Dividends may be paid out by way of cash or by other means that the Group considers appropriate.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meeting by Shareholders

The procedures for Shareholders to convene a general meeting (including making proposals/moving a resolution at the general meeting) can be found in article 41 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

Procedures for Putting Forward Proposals at General Meetings

The procedures for Shareholders to put forward proposals at the general meetings can be found in article 41 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.0036.com.hk. The procedures for Shareholders to propose a person for election as a Director are available on the website of the Company at www.0036.com.hk.

Procedures for Making Enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the registered office of the Company by post or by fax at (852) 2110 1159 or by email to admin@fehldings.com.hk. Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to the Shareholders and public investors. The Company updates the Shareholders on its latest business developments and financial performance through its annual and interim reports. The corporate website of the Company (<http://www.0036.com.hk>) has provided an effective communication platform to the public and the Shareholders.

INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE MEMBER OF FAR EAST HOLDINGS INTERNATIONAL LIMITED

遠東控股國際有限公司

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 104, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Valuation of investment properties

(Refer to notes 4(d) and 18 to the consolidated financial statements)

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgement associated with the determination of the fair value.

The Group's investment properties are located in Hong Kong and its carrying amount of HK\$1,418,100,000 represented approximately 98.3% of the Group's total assets as at 31 December 2022. A fair value loss on the investment properties amounted to HK\$79,700,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

All of the Group's investment properties are stated at fair value and estimated based on the valuations carried out by independent qualified professional valuer (the "Valuer"). The valuations are dependent on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties, which involves management's significant judgement.

Our procedures in relation to the valuation of investment properties included:

- Evaluating the Valuer's competence, capabilities and objectivity;
- Obtaining the understanding of valuation approach, process, assumptions and techniques adopted by the Valuer to assess if they are consistent with industry norms;
- Inquiring the reasonableness of the sources of data and key assumptions used by the management and the Valuer to assess if they are relevant, comparable and appropriate; and
- Checking arithmetical accuracy of the resultant calculations.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES 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 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

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, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, 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.

BDO Limited

Certified Public Accountants

Lee Ka Leung, Daniel

Practising Certificate no. P01220

Hong Kong, 29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	7	4,696	24,825
Rental operating cost		(3,030)	(902)
Net rental income		1,666	23,923
Other income	8	205	210
Other gains and losses, net	9	(84,530)	(270,973)
Administrative expenses		(4,590)	(4,712)
Finance costs	10	(20,498)	(15,947)
Loss before income tax	11	(107,747)	(267,499)
Income tax expense	12	(233)	(2)
Loss and total comprehensive income for the year		(107,980)	(267,501)
Loss for the year attributable to:			
Owners of the Company		(68,799)	(240,662)
Non-controlling interests		(39,181)	(26,839)
		(107,980)	(267,501)
Loss per share — Basic (HK cents)	17	(6.32)	(22.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investment properties	18	1,418,100	1,497,800
Property, plant and equipment	19	16,664	17,288
		1,434,764	1,515,088
Current assets			
Corporate bond	20	600	600
Held-for-trading investments	21	1,560	17,919
Rental and other receivables	22	2,194	610
Tax recoverable		1,853	1,881
Deposits held in a financial institution	23	32	900
Bank balances and cash	23	762	10,486
		7,001	32,396
Current liabilities			
Other payables and accruals	24	10,478	3,360
Tax payable		205	–
Amount due to a non-controlling interest	25	26,437	14,971
Bank borrowing	27	431,079	451,607
Loan from a non-controlling interest	28	152,700	–
Other loan	29	4,000	–
Promissory note	30	–	152,700
		624,899	622,638
Net current liabilities		(617,898)	(590,242)
Net assets		816,866	924,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Capital and reserves			
Share capital	31	632,610	632,610
Reserves	32	(210,618)	(141,819)
Equity attributable to owners of the Company		421,992	490,791
Non-controlling interests	39	394,874	434,055
Total equity		816,866	924,846

The consolidated financial statements on pages 48 to 104 were approved and authorised for issue by the Board of Directors (the "Board") on 29 March 2023 and are signed on its behalf by:

Eric Todd
Director

Cheung Sze Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Retained earnings/ (Accumulated losses) <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2021	632,610	3,283	95,560	731,453	460,894	1,192,347
Loss and total comprehensive income for the year	-	-	(240,662)	(240,662)	(26,839)	(267,501)
Balance at 31 December 2021	632,610	3,283	(145,102)	490,791	434,055	924,846
Loss and total comprehensive income for the year	-	-	(68,799)	(68,799)	(39,181)	(107,980)
Balance at 31 December 2022	632,610	3,283	(213,901)	421,992	394,874	816,866

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES			
Loss before income tax		(107,747)	(267,499)
Adjustments for:			
Interest income	8	(90)	(204)
Interest expense	10	20,498	15,947
Fair value loss on investment properties	9	79,700	55,000
Gain on disposal of property, plant and equipment	9	–	(16)
Unrealised fair value loss on held-for-trading investments	9	1,350	2,233
Loss allowance on rental receivables	9	–	12,868
Reversal of loss allowance on other receivables	9	–	(3)
Depreciation of property, plant and equipment		459	492
Gain on disposal of subsidiaries	9	(17)	–
Operating cash flows before movements in working capital		(5,847)	(181,182)
Decrease in held-for-trading investments		3,417	198,640
Increase in rental and other receivables		(1,584)	(5,787)
Increase/(decrease) in other payables and accruals		1,884	(16,166)
CASH USED IN OPERATIONS		(2,130)	(4,495)
Tax refund		–	182
Tax paid		–	(1,875)
NET CASH USED IN OPERATING ACTIVITIES		(2,130)	(6,188)
INVESTING ACTIVITIES			
Withdrawal of deposits held in a financial institution		12,460	59,000
Acquisition of property, plant and equipment		–	(330)
Proceed from disposal of property, plant and equipment		–	16
Interest received		90	204
Redemption of corporate bond		–	2,067
Proceed from disposal of subsidiaries		40	–
NET CASH FROM INVESTING ACTIVITIES		12,590	60,957

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
FINANCING ACTIVITIES			
Interest paid	40	(15,122)	(15,947)
Advance from non-controlling interest	40	11,466	12,103
Repayment of mortgage loan	40	(20,528)	(20,528)
Repayment of promissory note	40	–	(34,500)
Advance from other loan	40	4,000	–
NET CASH USED IN FINANCING ACTIVITIES		(20,184)	(58,872)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,724)	(4,103)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		10,486	14,589
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		762	10,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

Far East Holdings International Limited (“the Company”) is a limited liability company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Unit 904, 9/F, Wings Building, 110–16 Queen’s Road Central, Central, Hong Kong, which is also its principal place of business.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs — effective 1 January 2022

Annual Improvements Framework	Annual Improvements to HKFRSs 2018–2020 (amendments)
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to HKFRS 3	Reference to the Conceptual Framework

The directors of the Company consider that these new or amended HKFRSs has no material impact on the Group’s results and financial position for the current or prior period and on accounting policies. The Group has not early adopted any other new standards and interpretations that are not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

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

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

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group has so far concluded that the application of these new pronouncements will have no material impact on the Group’s financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION

(a) Statutory financial statements

The financial information relating to the years ended 31 December 2022 and 2021 included in this annual report does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

(b) Statement of compliance

The financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(c) Basis of measurement and going concern assumption

The financial statements have been prepared on the historical cost basis except for the investment properties and financial instruments, which are measured at fair values.

As the outbreak of the Covid-19 pandemic and certain lockdown measures imposed by the Hong Kong Government had adverse impact on the property rental market during the year, certain tenants of the Group's investment properties were unable to operate their normal businesses during the year. In view of the above, the Group had offered rental concessions to these tenants. Furthermore, the increase in vacancies of the investment properties have negatively impacted the results of the Group during the reporting period and its liquidity position.

As at 31 December 2022, the Group has net current liabilities of HK\$617,898,000 which mainly included (i) a bank borrowing with the demand clause of HK\$431,079,000; and (ii) the loan from a non-controlling interest of HK\$152,700,000 that will be matured on 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. BASIS OF PREPARATION (continued)

(c) Basis of measurement and going concern assumption (continued)

Taking into account the adverse impact of the net current liabilities of the Group together with the uncertainties arising from the Covid-19 pandemic, the directors of the Company had prepared a cash flow forecast covering a period of 12 months from the date of approval of these consolidated financial statements ("Forecast"). The assumptions are based on the estimated potential impact of the Covid-19 pandemic and taking into consideration of its subsequent development since the end of the reporting period. The following measures have considered the Group's historical operating performance in the preparation of the Forecast and included certain actions taken by the Group's for the purposes of improving its operating cash flows and financial position:

- (a) Subsequent to the reporting period, the Group has obtained the extension of loan from a non-controlling interest to extend the maturity date to 30 April 2024;
- (b) Subsequent to the reporting period, the Group has obtained a mortgage loan facility approximately of HK\$70 million by pledging two of its investment properties;
- (c) The Group will dispose of certain of its held-for-trading investments;
- (d) The Group will reassess its marketing strategy in order to decrease the vacancies rate of its investment properties in the near future; and
- (e) The Group will consider to dispose of certain of its investment properties to strengthen the liquidity position of the Group, if necessary.

Taking into account the Forecast and assuming the successful implementation of the above measures, the Directors of the Company considered the Group would be able to finance its operations and to meet its financial obligations as and when they fall due at least for the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(d) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Business combination and basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Business combination and basis of consolidation (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether De facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and building in Hong Kong	Over 50 years or the remaining terms of the relevant lease if shorter
Lifts, electrical and office equipment	10%–20%
Motor vehicles	20%–30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is property held either to earn property rental incomes or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months and do not contain a purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases (continued)

Lease liabilities (continued)

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(f) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(i) Financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on rental and other receivables, financial assets measured at amortised cost and debt investments measured at FVTOCI. ECLs are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for rental receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating 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 analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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 action such as realising security (if any is held); or the financial assets is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(iii) Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals, borrowings, promissory note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 cash generating unit.

(h) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

- Property rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.
- Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.
- Dividend income is recognised when the right to receive the dividend is established.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. 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 tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign currencies (continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(k) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of key management personnel of the Company or the Company's parent
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Company 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) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company'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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(a) Critical judgements in applying accounting policies

(i) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financing plan assessed as detailed in note 3(c) to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Fair value measurement

A number of assets included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted price in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 18); and
- Held-for-trading investments (note 21)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker ("CODM") that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Property investment	—	property investment
Securities investment	—	short-term securities investment

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/loss that is used by the CODM for assessment of segment performance.

The unallocated other operating income mainly represents the interest income and government subsidy. The unallocated expenses mainly represent the head office expenses including directors' emoluments, employee costs, legal and professional fees.

(a) Segment revenues and results

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

For the year ended 31 December 2022

	Property investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
Segment revenue			
External revenue (note 7)	4,696	—	4,696
Segment results	(88,389)	(4,868)	(93,257)
Other operating income			205
Unallocated expenses			(14,695)
Loss before income tax			(107,747)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT REPORTING (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2021

	Property investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
External revenue (note 7)	24,825	–	24,825
Segment results	(57,648)	(202,949)	(260,597)
Other operating income			210
Unallocated expenses			(7,112)
Loss before income tax			(267,499)

Segment results represent the profit/loss from each segment including items disclosed in other segment information below, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of other operating income and corporate expenses. Unallocated items comprise corporate expenses which are not directly attributable to a particular reportable segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The segment results of the securities investment segment include the fair value gain or loss on held-for-trading investments and administrative expenses directly attributable to the securities investment segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT REPORTING (continued)

(b) Other segment information

The following other segment information is included in the measure of segment profit or loss:

For the year ended 31 December 2022

	Property investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
Depreciation of property, plant and equipment	(459)	–	(459)
Unrealised fair value loss on held-for-trading investments	–	(1,350)	(1,350)
Realised loss on held-for-trading investments	–	(3,497)	(3,497)
Fair value loss on investment properties	(79,700)	–	(79,700)

For the year ended 31 December 2021

	Property investment HK\$'000	Securities investment HK\$'000	Consolidated HK\$'000
Depreciation of property, plant and equipment	(492)	–	(492)
Unrealised fair value loss on held-for-trading investments	–	(2,233)	(2,233)
Realised loss on held-for-trading investments	–	(200,891)	(200,891)
Fair value loss on investment properties	(55,000)	–	(55,000)
Loss allowance on rental receivables	(12,868)	–	(12,868)
Reversal of loss allowance on other receivables	3	–	3
Gain on disposal of property, plant and equipment	16	–	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT REPORTING (continued)

(c) Segment assets and liabilities

As the CODM reviews the Group's assets and liabilities as a whole on a consolidated basis and assets or liabilities are not allocated to the operating segments, therefore no analysis of segment assets and liabilities is presented.

(d) Geographical information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location on relevant entities' operation.

(e) Information about major customers

Revenue from two customer (2021: one customer) individually contributing over 10% of total revenue of the Group is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A (from property investment segment)	N/A ¹	21,185
Customer B (from property investment segment)	2,880	N/A ¹
Customer C (from property investment segment)	720	N/A ¹

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue in the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. REVENUE

Revenue includes property rental income in both years. The amount of each significant category of revenue recognised during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Gross rental income from investment properties	4,696	24,825

8. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Included in other income are:		
Interest income from a corporate bond	90	204
Government subsidies (note)	98	–
Sundry income	17	6
	205	210

Note: For the year ended 31 December 2022, among the government subsidies of HK\$98,000, HK\$69,000 was granted under Employment Support Scheme which aims to retain employment under the Anti-epidemic Fund of the Hong Kong Government.

9. OTHER GAINS AND LOSSES, NET

	2022 HK\$'000	2021 HK\$'000
Unrealised fair value loss on held-for-trading Investments	(1,350)	(2,233)
Realised loss on held-for-trading investments	(3,497)	(200,891)
Fair value loss on investment properties	(79,700)	(55,000)
Loss allowance on rental receivables	–	(12,868)
Reversal of loss allowance on other receivables	–	3
Gain on disposal of property, plant and equipment	–	16
Gain on disposal of subsidiaries (note 37)	17	–
	(84,530)	(270,973)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on other loan	110	–
Interest on bank borrowing	10,355	6,949
Interest on promissory note	1,903	8,998
Interest on loan from a non-controlling interest	8,130	–
	20,498	15,947

11. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration (including remuneration for non-audit services)	560	580
Depreciation charge		
— Property, plant and equipment	459	492
Operating lease rental in respect of low valued leased office equipment	15	15

12. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The income tax expense comprises:		
Current tax:		
— Hong Kong profits tax	–	36
— Under/(over)-provision in respect of prior year	233	(34)
Total tax charge for the year	233	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimate assessable profits for both years.

The Group is subject to Hong Kong Profits Tax under the two-tiered profits tax rates regime. For the years ended 31 December 2022 and 2021, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%).

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income is as follows:

	2022 HK\$'000	2021 HK\$'000
Loss before income tax	(107,747)	(267,499)
Tax calculated at the domestic income tax rate of 16.5% (2021: 16.5%) (note)	(17,778)	(44,138)
Tax effect of losses and expenses not deductible for tax purposes	15,764	48,589
Tax effect of revenue not taxable for tax purposes	(47)	(359)
Tax effect of tax losses not recognised	2,433	1,144
Tax effect of deductible temporary difference not recognised	(340)	–
Utilisation of tax losses previously not recognised	(32)	(5,200)
Under/(Over)-provision in respect of prior year	233	(34)
Income tax expense	233	2

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used (which is the Hong Kong Profits Tax rate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six Directors (2021: five Directors), disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2022

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
Executive Directors				
Mr. Eric Todd (note (a))	600	–	18	618
Mr. Sheung Kwong Cho (note (d))	240	910	18	1,168
Independent Non-Executive Directors				
Mr. Wong Kui Shing, Danny	216	–	–	216
Mr. Mak Ka Wing, Patrick	216	–	–	216
Ms. Kwan Shan (note (b))	162	–	–	162
Mr. Lam Wai Hung (note (c))	54	–	–	54
	1,488	910	36	2,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DIRECTORS' EMOLUMENTS (continued)

For the year ended 31 December 2021

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
Executive Directors				
Mr. Eric Todd (note (a))	492	3	14	509
Mr. Sheung Kwong Cho (note (d))	240	910	18	1,168
Independent Non-Executive Directors				
Mr. Wong Kui Shing, Danny	216	–	–	216
Mr. Mak Ka Wing, Patrick	216	–	–	216
Ms. Kwan Shan (note (b))	216	–	–	216
	1,380	913	32	2,325

Notes:

- (a) Mr. Eric Todd has been appointed as an executive director and the chairman of the Company's board of directors on 26 February 2021.
- (b) Ms. Kwan Shan has resigned from the position as an independent non-executive director on 30 September 2022.
- (c) Mr. Lam Wai Hung has been appointed as an independent non-executive director on 30 September 2022.
- (d) Mr. Sheung Kwong Cho has resigned from the position as an executive director and Mr. Cheung Sze Ming has been appointed as an executive director on 17 February 2023.
- (e) Mr. Zhu Weiwen has been appointed as an executive director on 20 March 2023.

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. EMPLOYEE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Employee costs (including directors' emoluments (note 13)) comprise		
Wages and salaries	2,949	2,939
Retirement benefit scheme contributions (note)	58	24
	3,007	2,963

Note: The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong SAR. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the lower of 5% of the employees' relevant income or HK\$1,500 each month. The Group has no further payment obligations once the contribution have been paid.

Assets of the MPF Scheme is held separately from those of the Group and are independently administered and are not included in the consolidated statement of financial position.

The Group's contributions to the MPF Scheme vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the MPF Scheme which may be used by the Group to reduce its existing level of contributions or contributions payable in future years as at and during each of the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, four (2021: four) were Directors of the Company whose emoluments are set out in note 14 above. The emolument of the remaining one (2021: one) highest paid individual was as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries and other benefits	221	520
Retirement benefit scheme contributions	9	18
	230	538

The emolument was within the following band:

	2022 <i>No. of</i> <i>individuals</i>	2021 <i>No. of</i> <i>individuals</i>
Nil to HK\$1,000,000	1	1

No emolument was paid by the Group to any non-director highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office in the current and prior years.

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(68,799)	(240,662)

	2022 <i>Number of shares</i>	2021 <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	1,089,118,593	1,089,118,593

	2022 <i>HK cents</i>	2021 <i>HK cents</i>
Basic loss per share	(6.32)	(22.10)

For the purpose of calculating diluted loss per share for the years ended 31 December 2022 and 2021, no adjustment has been made as there was no potential ordinary share outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INVESTMENT PROPERTIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
FAIR VALUE		
At 1 January (level 3 recurring fair value)	1,497,800	1,552,800
Fair value changes recognised in profit and loss	(79,700)	(55,000)
At 31 December (level 3 recurring fair value)	1,418,100	1,497,800

All of the Group's property interests held under operating leases to earn property rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 December 2022 and 2021 have been arrived at on the basis of a valuation carried out by Roma Appraisals Limited, an independent qualified professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation technique is market comparison method based on the market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. There are no change to the valuation technique as compared with 31 December 2021.

The fair value of investment properties is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is disclosed above.

There were no transfers into or out of Level 3 during the years ended 31 December 2022 and 2021.

The fair value as at the end of the reporting period is determined using direct comparison approach by reference to market price of comparable properties in their respective existing states and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales.

Higher premiums or discounts for differences in the quality and characteristics of the Group's properties and the comparable properties would result in correspondingly higher or lower fair value measurement.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

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For the year ended 31 December 2022

18. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used).

Properties and location	Fair value as at 31 December 2022 HK\$'000	Level	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Industrial property situated in Hong Kong	6,100 (2021: 5,600)	3	Market Comparison Approach	Premium or discount for quality of properties (e.g. view, level and condition of the industrial property)	-43.3% to -29.1% (2021: -36.05% to -30.24%)
Office buildings situated in Hong Kong	102,000 (2021: 112,200)	3	Market Comparison Approach	Premium or discount for quality of properties (e.g. view, level and condition of the office building)	-13.6% to 4.3% (2021: -13.47% to -7.72%)
Commercial property situated in Hong Kong	1,310,000 (2021: 1,380,000)	3	Market Comparison Approach	Premium or discount for quality of properties (e.g. view, level and condition of the commercial property)	-25.3% to -11.9% (2021: -29.39% to 27.88%)

One of the key inputs used in the valuations of investment properties is the sales prices of properties nearby the Group's investment properties, which ranged from HK\$4,351/sq. ft. to HK\$54,950/sq. ft. (2021: HK\$3,961/sq. ft. to HK\$57,697/sq. ft.) where sq. ft. is a common unit of area used in Hong Kong. A decrease in the sales prices would result in a decrease in fair value measurement of the investment properties, and vice versa. The carrying amounts of investment properties shown above comprise:

	2022 HK\$'000	2021 HK\$'000
Investment properties located in Hong Kong	1,418,100	1,497,800

As at 31 December 2022, an investment property with carrying amount of HK\$1,310,000,000 (2021: HK\$1,380,000,000) has been pledged to secure a bank borrowing of the Group (note 27).

As at 31 December 2022, an investment property with carrying amount of HK\$102,000,000 and buildings held for own use with carrying amount of HK\$16,664,000 have been pledged to secure a mortgage loan facility amounting to HK\$70,000,000. As at 31 December 2022, the Group had not utilised the facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use (note a) <i>HK\$'000</i>	Lifts, electrical and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2021	17,700	213	1,441	19,354
Additions	–	–	330	330
Disposal	–	–	(1,441)	(1,441)
At 31 December 2021 and 1 January 2022	17,700	213	330	18,243
Disposal of subsidiaries	–	–	(330)	(330)
At 31 December 2022	17,700	213	–	17,913
Accumulated depreciation				
At 1 January 2021	250	213	1,441	1,904
Provided for the year	393	–	99	492
Elimination on disposal	–	–	(1,441)	(1,441)
At 31 December 2021 and 1 January 2022	643	213	99	955
Provided for the year	393	–	66	459
Elimination on disposal of subsidiaries	–	–	(165)	(165)
At 31 December 2022	1,036	213	–	1,249
Net book value				
At 31 December 2022	16,664	–	–	16,664
At 31 December 2021	17,057	–	231	17,288

Note:

- (a) As at 31 December 2022 and 31 December 2021, the Group's buildings held for own use represents the ownership interest in leasehold land and buildings in Hong Kong. As at 31 December 2022, the Group's building held for own use has been pledged to secure a mortgage loan facility as mentioned in Note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. CORPORATE BOND

As at 31 December 2022, the Group held an unsecured corporate bond with a balance of HK\$600,000 (2021: HK\$600,000), carrying interest at the rate of 15% per annum, which is paid in cash quarterly. The issuer has further modified and extended the maturity date from May 2022 to June 2023 during the year (2021: from November 2021 to May 2022). The balance was classified as current asset as at 31 December 2022 and 2021.

On initial recognition and subsequent measurements, the Directors consider that the principal amount of corporate bond approximate its fair value.

21. HELD-FOR-TRADING INVESTMENTS

	2022 HK\$'000	2021 HK\$'000
Listed equity securities:		
Hong Kong	1,560	17,919

As at 31 December 2022, held-for-trading investments represent an investment portfolio comprising 1 (2021: 14) equity securities listed in Hong Kong of which 1 (2021: 10) equity securities are/were listed on the Main Board of the Stock Exchange and no (2021: the remaining 4) equity securities is listed on GEM of the Stock Exchange.

The fair values of held-for-trading investments have been determined by reference to the quoted market prices available on the Stock Exchange.

22. RENTAL AND OTHER RECEIVABLES

The Group does not have any credit period to the tenants (2021: Nil).

	2022 HK\$'000	2021 HK\$'000
Rental receivables — current and not impaired	1,432	—
Prepayments, deposits and other receivables, net	762	610
At 31 December	2,194	610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. RENTAL AND OTHER RECEIVABLES (continued)

The aging analysis of debtors, based on invoice date, were as follows:

	2022 HK\$'000	2021 HK\$'000
1 to 30 days	259	–
31 to 60 days	259	–
61 to 90 days	307	–
91 to 180 days	607	–
Total rental receivables	1,432	–

Details of other receivables net of loss allowance are as follows:

	2022 HK\$'000	2021 HK\$'000
Deposits	710	528
Prepayments	48	76
Others	4	6
	762	610

The others within other receivables do not contain impaired assets. The table below reconciles the loss allowance for receivables:

	2022 HK\$'000	2021 HK\$'000
At 1 January	–	3
Reversal of loss allowance	–	(3)
Loss allowance for the year	–	12,868
Written off	–	(12,868)
At 31 December	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. DEPOSITS HELD IN A FINANCIAL INSTITUTION/BANK BALANCES AND CASH

Deposits held in a financial institution/bank balance carry interest at market rates which ranged from 0.001% to 1.1% (2021: 0.001% to 1.1%) per annum. The deposits held in a financial institution are related to the securities trading accounts maintained by the Group.

24. OTHER PAYABLES AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Rental deposits received	2,717	2,228
Other payables and accruals	2,385	1,132
Interest payable on loan from a non-controlling interest	5,376	–
	10,478	3,360

25. AMOUNT DUE TO A NON-CONTROLLING INTEREST

As at 31 December 2022 and 2021, the amount due to a non-controlling interest represented the loan from shareholder of a non-wholly owned subsidiary which is unsecured, interest-free, and repayable on demand.

26. DEFERRED TAX

The following are the major deferred tax movements during the current and prior years:

	Unrealised gain on held- for-trading investments HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2021	39,015	(39,015)	–
Charged/(credited) to profit or loss	(39,015)	39,015	–
At 31 December 2021, 1 January 2022 and 31 December 2022	–	–	–

At the end of the reporting period, the Group has unused tax losses of HK\$369,684,000 (2021: HK\$355,132,000) available for offset against future profits, which are subject to the agreement of the relevant tax authorities. No deferred tax asset in respect of the tax losses was recognised as at 31 December 2022 and 2021 due to the unpredictability of future profit streams. As at 31 December 2022 and 2021, all the tax losses maybe carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27. BANK BORROWING

	2022 HK\$'000	2021 HK\$'000
Current		
Bank borrowing due for repayment within one year (note (i))	20,528	20,528
Bank borrowing due for repayment after one year which contain a repayment on demand clause (note (i) & note (ii))	410,551	431,079
	431,079	451,607

Notes:

- (i) The bank borrowing is secured by an investment property (note 18) at the carrying value of HK\$1,310,000,000 (2021: HK\$1,380,000,000).
- (ii) The bank borrowing of HK\$410,551,000 as at 31 December 2022 (2021: HK\$431,079,000) is not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. None of the portion of the bank loan due for repayment after one year which contain a repayment on demand clause (and therefore classified as current liability) is expected to be settled within one year.

At the end of the reporting period, bank borrowing was scheduled to repay as follows:

	2022 HK\$'000	2021 HK\$'000
On demand or within one year	20,528	20,528
More than one year, but not exceeding two years	20,528	20,528
More than two year, but not exceeding five years	61,583	61,583
After five years	328,440	348,968
	431,079	451,607

The amount due is based on the scheduled repayment date in the loan agreement and ignore the effect of any repayment on demand clause.

28. LOAN FROM A NON-CONTROLLING INTEREST

As at 31 December 2022, the Group has an unsecured loan from a non-controlling interest of HK\$152,700,000 (2021: Nil) bearing interest at a fixed rate of 7% per annum and will be matured on 31 March 2023.

29. OTHER LOAN

As at 31 December 2022, the Group has an unsecured loan of HK\$4,000,000 (2021: Nil) bearing interest at a fixed rate of 12% per annum and will be matured on 10 October 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. PROMISSORY NOTE

The promissory note was issued as part of the consideration for acquisition of 51% equity interests of Joy Ease Limited in April 2019. The principal amount of the promissory note was HK\$361,000,000, which carried 5% interest per annum and was matured on the third anniversary from the issue date, 1 April 2019. During the year, the Group repaid the remaining principal amounted to HK\$152,700,000 (2021: HK\$34,500,000).

31. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	2022 HK\$'000	2021 HK\$'000
Issued and fully paid:				
At 1 January and 31 December	1,089,118,593	1,089,118,593	632,610	632,610

32. RESERVES

(a) The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The following describes the nature and purpose of each reserve within owners' equity:

Reserves	Description and purpose
Properties revaluation reserve	Gains/losses arising on the revaluation of property (other than investment properties). The balance on this reserve is wholly undistributable.
Retained earnings/ Accumulated losses	Cumulative net gains and losses recognised in profit or loss.

(b) The Company

	Retained earnings HK\$'000
At 1 January 2021	122,880
Loss for the year	(4,376)
At 31 December 2021 (note 41)	118,504
Loss for the year	(11,547)
At 31 December 2022 (note 41)	106,957

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For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Fair value through profit and loss ("FVTPL")	1,560	17,919
Financial assets at amortised cost (including cash and cash equivalents)	3,540	12,520
Financial liabilities		
Amortised cost	624,694	622,638

(b) Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

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

No foreign currency denominated monetary assets were held by the Group at 31 December 2022 and 2021.

(ii) Interest rate risk

The Group is exposed to interest rate risk as group entities deposit cash at banks and borrow funds at floating interest rates. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. Balances included in interest rate analysis as follows:

	2022 HK\$'000	2021 HK\$'000
Deposits held in a financial institution (note 23)	32	900
Bank balances and cash (note 23)	762	10,486
Bank borrowing (note 27)	(431,079)	(451,607)

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For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The following table indicates the approximate change in the loss after tax in response to reasonably possible changes in an interest rate to which the Group has significant exposure at the end of the reporting period. In determining the effect on loss after tax for the next reporting date, management assumes that the change in interest rate had occurred at that date and all other variables remain constant. There is no change in the methods and assumptions used in 2022 and 2021.

	2022 Increase/ (decrease) on loss after tax HK\$'000	2021 Increase/ (decrease) on loss after tax HK\$'000
Hong Kong Interbank Offered Rate		
— Increase by 100 basis points	3,593	3,657
— Decrease by 100 basis points	(3,593)	(3,657)

(iii) Price risk

The Group engaged in short-term securities investment and is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. Management manages the exposure to price risk by maintaining a portfolio of investments with different risks and return profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective held-for-trading investments had been 10% (2021: 10%) higher/lower, the post-tax loss of the Group for the year would decrease/increase by HK\$130,000 (2021: the post-tax loss of the Group would decrease/increase by HK\$1,496,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group has significant concentration of credit risk on rental receivables from a few tenants. The management of the Group mainly considers the tenants' repayment history and financial position. The Group measures loss allowances for rental receivables at an amount equal to lifetime ECLs, which is assessed on an individual debtor basis.

As at 31 December 2022, the management of the Group assessed that the credit loss for rental receivables (note 22) was minimal and no allowance was provided under lifetime ECLs' method (2021: HK\$12,868,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and working capital deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows and working capital. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The contractual maturities of financial liabilities of the Group are shown as below:

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>
As at 31 December 2022				
<i>Non-derivatives</i>				
Other payables and accruals	10,478	10,478	10,478	–
Borrowings (note)	431,079	431,079	431,079	–
Amount due to non-controlling interest	26,437	26,437	26,437	–
Loan from non-controlling interest	152,700	155,460	155,460	–
Other loan	4,000	4,370	4,370	–
	624,694	627,824	627,824	–
As at 31 December 2021				
<i>Non-derivatives</i>				
Other payables and accruals	3,360	3,360	3,360	–
Borrowings (note)	451,607	451,607	451,607	–
Amount due to non-controlling interest	14,971	14,971	14,971	–
Promissory note	152,700	154,610	154,610	–
	622,638	624,548	624,548	–

Note:

As explained in note 27, bank borrowing of HK\$431,079,000 with repayment of demand clause which give the bank an unconditional right to call the loan at any time is classified under current liabilities in the consolidated statement of financial position (2021: HK\$451,607,000).

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33. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

However, management considers that the possibility of such clause being executed by bank is remote and expects such term loans would be repaid in accordance with the agreed repayment schedule based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date). The expected repayment schedule of the Group's bank borrowing is shown as below:

	2022 HK\$'000	2021 HK\$'000
On demand or within one year	30,689	27,329
More than one year, but not exceeding two years	30,689	27,329
More than two years, but not exceeding five years	92,065	81,985
After five years	521,701	464,581
	675,144	601,224

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

	Fair value 2022 HK\$'000	2021 HK\$'000	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities in Hong Kong classified as held-for-trading investments	1,560	17,919	Level 1	Quoted prices in an active market

There were no transfers between Level 1, 2 and 3 in the current and prior years.

The Group is exposed to equity price risk through its investments in listed equity securities classified as held-for-trading investments. During the year ended 31 December 2022, the depreciation of share prices in the Hong Kong stock market has resulted in unrealised fair value loss recognised in profit or loss (note 9).

(ii) Financial instruments that are recorded at amortised cost

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

34. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The Group considers total equity when reviewing its capital risk management, which was HK\$816,866,000 as at 31 December 2022 (2021: HK\$924,846,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. LEASES

The Group as lessor

The Group's investment properties are leased to a number of tenants for varying terms. The rental income earned during the year ended 31 December 2022 was HK\$4,696,000 (2021: HK\$24,825,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Not later than one year	5,938	3,540
Later than one year and not later than two years	5,256	3,130
Later than two year and not later than five years	8,845	5,000
	20,039	11,670

36. RELATED PARTY TRANSACTIONS

Save as those disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions with related parties during the year:

Compensation of key management personnel

The remunerations of Directors and key management of the Group during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Short-term benefits	2,398	2,293
Post-employment benefits	36	32
	2,434	2,325

The remunerations of Directors are determined by the Remuneration Committee of the Company having regard to the performance of individuals and market trends.

37. DISPOSAL OF SUBSIDIARIES

On 31 August 2022, the Group disposed of in aggregate of 100% of the equity interests in Far East Holdings China Limited which directly hold 100% equity shares of Far East Holdings (Jiangsu) Limited and Far East Technology International Limited to an independent third party at a total consideration of HK\$40,000. A gain in respect of the disposal amounted to HK\$17,000 (note 9) was recognised in the consolidated statement of profit or loss.

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38. INTEREST IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued registered capital	Proportion of ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2022	2021	2022	2021	
Coast Holdings Limited	Hong Kong	HK\$100,000 Ordinary shares	-	-	100%	100%	Property investment
Far East Holdings China Limited (note 37)	Hong Kong	HK\$2 Ordinary shares	-	100%	-	-	Investment holding
Far East Holdings (Jiangsu) Limited (note 37)	Hong Kong	HK\$10,000 Ordinary shares	-	-	-	100%	Investment holding
Far East Technology International Limited (note 37)	Hong Kong	HK\$10,000 Ordinary shares	-	-	-	100%	Investment holding
Gold Sky Investments Limited	Hong Kong	HK\$1 Ordinary shares	100%	100%	-	-	Securities investment
Gold Sky Finance Limited	Hong Kong	HK\$100 Ordinary shares	-	-	100%	100%	Dormant
Gold Sky Property Investment Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	-	-	Property investment
Joy Ease Limited	British Virgin Islands/ Hong Kong	US\$100 Ordinary shares	-	-	51%	51%	Property investment
Joy Wide Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	100%	100%	-	-	Investment holding
Lead Power Investments Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	-	-	100%	100%	Investment holding
Marvel Star Group Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	100%	100%	-	-	Investment holding
Wings Property Investments Limited	Hong Kong	HK\$20,000 Ordinary shares	-	-	100%	100%	Property investment

* Sino-foreign equity joint venture

None of the subsidiaries had issued any debt securities at the end of the year.

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39. NON-CONTROLLING INTERESTS

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Non-controlling interests	
		2022	2021	2022	2021	2022	2021
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Joy Ease Limited	British Virgin Islands	49%	49%	(39,181)	(26,839)	394,874	434,055

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

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39. NON-CONTROLLING INTERESTS (continued)

Joy Ease Limited

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets	4,647	10,380
Non-current assets	1,310,000	1,380,000
Current liabilities	(508,781)	(504,551)
Equity attributable to owners of the Company	410,992	451,774
Non-controlling interests	394,874	434,055
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2,880	21,906
Expenses	(82,843)	(76,679)
Loss and total comprehensive expense for the year	(79,963)	(54,773)
Loss and total comprehensive expense attributable to owners of the Company	(40,782)	(27,934)
Loss and total comprehensive expense attributable to the non-controlling interests	(39,181)	(26,839)
Loss and total comprehensive expense for the year	(79,963)	(54,773)
Net cash (used in)/from operating activities	(442)	12,600
Net cash used in financing activities	(6,896)	(15,374)
Net cash outflow	(7,338)	(2,774)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Promissory note <i>HK\$'000</i>	Bank borrowing <i>HK\$'000</i>	Loan from a non- controlling interest <i>HK\$'000</i>	Other loan <i>HK\$'000</i>	Amount due to non- controlling interest <i>HK\$'000</i>	Interest payable on loan from a non- controlling interest <i>HK\$'000</i>
At 1 January 2021	187,200	472,135	–	–	2,868	–
— Repayment of bank borrowing	–	(20,528)	–	–	–	–
— Repayment of promissory note	(34,500)	–	–	–	–	–
— Advance from non-controlling interest	–	–	–	–	12,103	–
— Interest paid	(8,998)	(6,949)	–	–	–	–
Non-cash item:						
— Interest expense	8,998	6,949	–	–	–	–
At 31 December 2021	152,700	451,607	–	–	14,971	–
— Repayment of bank borrowing	–	(20,528)	–	–	–	–
— Repayment of promissory note	–	–	–	–	–	–
— Advance from non-controlling interest	–	–	–	–	11,466	–
— Advance from other loan	–	–	–	4,000	–	–
— Interest paid	(1,903)	(10,355)	(2,754)	(110)	–	–
Non-cash item:						
— Interest expense	1,903	10,355	2,754	110	–	5,376
— Repayment of promissory note (note 42)	(152,700)	–	152,700	–	–	–
At 31 December 2022	–	431,079	152,700	4,000	26,437	5,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investments in subsidiaries		42,631	42,631
Amounts due from subsidiaries		869,429	863,324
		912,060	905,955
Current assets			
Other receivables		55	81
Bank balances and cash		37	2,000
		92	2,081
Current liability			
Other payables and accruals		6,928	650
Amount due to a subsidiary		8,957	3,572
Loan from a non-controlling interest	28	152,700	–
Other loan	29	4,000	–
Promissory note	30	–	152,700
		172,585	156,922
Net current liabilities		(172,493)	(154,841)
Net assets		739,567	751,114
Capital and reserves			
Share capital	31	632,610	632,610
Reserves	32	106,957	118,504
Total equity		739,567	751,114

The Company's statement of financial position was approved and authorised for issue by the Board on 29 March 2023 and are signed on its behalf by:

Eric Todd
Director

Cheung Sze Ming
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. MAJOR NON-CASH TRANSACTION

On 25 March 2022, the Group entered into a loan agreement for an amount due to a non-controlling interest with principal amount of HK\$152,700,000 which was borrowed for financing the repayment of the outstanding balance of HK\$152,700,000 under the promissory note (note 30).

43. EVENTS AFTER REPORTING PERIOD

Subsequent to the year ended 31 December 2022, the Group has obtained the extension of loan from a non-controlling interest to extend the maturity date to 30 April 2024.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2022

	2022 HK\$'000	For the year ended 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
		(Re-presented)	(Re-presented)	(Re-presented)	
RESULTS					
Revenue					
— Continuing operations	4,696	24,825	37,253	39,733	3,246
— Discontinued operation	–	–	–	3,555	5,301
	4,696	24,825	37,253	43,288	8,547
(Loss)/profit before tax					
— Continuing operations	(107,747)	(267,499)	59,484	(183,703)	(119,348)
— Discontinued operation	–	–	5,045	37,473	(3,441)
	(107,747)	(267,499)	64,529	(146,230)	(122,789)
Income tax (expense)/credit	(233)	(2)	(1,287)	(6,689)	15,107
(Loss)/profit for the year	(107,980)	(267,501)	63,242	(152,919)	(107,682)
Profit/(loss) for the year attributable to:					
Owners of the Company	(68,799)	(240,662)	93,439	(132,314)	(105,995)
Non-controlling interests	(39,181)	(26,839)	(30,197)	(20,605)	(1,687)
	(107,980)	(267,501)	63,242	(152,919)	(107,682)

	2022 HK\$'000	For the year ended 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES					
Total assets	1,441,765	1,547,484	1,874,076	1,891,034	783,398
Total liabilities	(624,899)	(622,638)	(681,729)	(733,924)	(3,576)
Net assets	816,866	924,846	1,192,347	1,157,110	779,822
Non-controlling interests	394,874	434,055	460,894	512,931	(3,050)
Equity attributable to owners of the Company	421,992	490,791	731,453	644,179	776,772

PARTICULARS OF PROPERTIES HELD BY THE GROUP

For the year ended 31 December 2022

Location	Group's interests	Approximate site area (sq.ft.)	Existing use
Unit 901, 903, 905, 906 9/F Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	2,501	Rental
Unit 902 and 904, 9/F Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	892	Office
10/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	3,393	Rental
Workshop No. 5 on 4/F, Fullagar Industrial Building, 234 Aberdeen Main Road, Hong Kong	100%	1,402	Rental
Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor and Offices and Flat Roof on Forth Floor, and the 3 External Signage Spaces — The Remaining Portions of The External Walls of Silver Fortune Plaza, No.1 Wellington Street, Hong Kong	51%	28,923	Rental