



百德國際有限公司
Pak Tak International Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 2668



2022
ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu (*Chief Executive Officer*)
Mr. Wang Jian
Mr. Ning Jie

Non-executive Directors

Mr. Shin Yick Fabian (*Note 3*)
Mr. Liu Xiaowei

Independent Non-executive Directors

Mr. Chan Ngai Sang Kenny (*Note 1*)
Ms. Chan Ching Yi (*Note 2*)
Mr. Chan Kin Sang
Mr. Zheng Suijun

AUDIT COMMITTEE

Mr. Chan Ngai Sang Kenny (*Chairman*) (*Note 1*)
Ms. Chan Ching Yi (*Chairman*) (*Note 2*)
Mr. Chan Kin Sang
Mr. Zheng Suijun

NOMINATION COMMITTEE

Mr. Liao Nangang (*Chairman*)
Mr. Chan Ngai Sang Kenny (*Note 1*)
Mr. Chan Kin Sang
Ms. Qian Pu
Mr. Zheng Suijun
Ms. Chan Ching Yi (*Note 2*)

REMUNERATION COMMITTEE

Mr. Chan Kin Sang (*Chairman*)
Mr. Chan Ngai Sang Kenny (*Note 1*)
Mr. Zheng Suijun
Ms. Qian Pu
Ms. Chan Ching Yi (*Note 2*)

STRATEGIC COMMITTEE

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu
Mr. Shin Yick Fabian (*Note 3*)

INVESTMENT AND FUND RAISING COMMITTEE

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu
Mr. Shin Yick Fabian (*Note 3*)

COMPANY SECRETARY

Mr. Sze Kat Man

AUTHORISED REPRESENTATIVES

Ms. Qian Pu
Mr. Sze Kat Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, 19/F
Tower 2 Lippo Centre
No. 89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road
North Point, Hong Kong

HONG KONG LEGAL ADVISER

Messrs. Eddie Lee & Co.
3/F, Central 88
88 Des Voeux Road Central
Central, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Sang Bank Limited

STOCK CODE

2668

WEBSITE

www.paktakintl.com

Notes:

1. Resigned as an independent non-executive Director; and ceased to be the chairman of audit committee of the Company (the “**Audit Committee**”), and member of each of nomination committee (the “**Nomination Committee**”) and remuneration committee (the “**Remuneration Committee**”) of the Company on 16 December 2022.
2. Appointed as an independent non-executive Director, and acted to be the chairman of Audit Committee, and a member of each of Nomination Committee and Remuneration Committee on 16 December 2022.
3. Resigned as a non-executive director; and ceased to be a member of each of strategic committee (the “**Strategic Committee**”) and investment and fund raising committee (the “**Investment and Fund Raising Committee**”) on 3 February 2023.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Pak Tak International Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022.

In 2022, the global continued to face the ravages of COVID-19. With the rapid spread of new variant of the virus, various quarantine control measures and travel restrictions continued to be implemented at home and abroad. Many economic activities remained affected by the travel restrictions and disruptions to logistics arrangements caused by COVID-19. The supply chain business (the "**Supply Chain Business**") is remain the core business of the Group which is treated as the focus of continuous development in the past year even though is susceptible by the rapid changing policy direction and market environment. For the year ended 31 December 2022, the Group recorded a total revenue of HKD726.5 million, representing a decrease of 65.8% as compared with that for the year ended 31 December 2021 of HKD2,125.2 million. Such decrease was mainly due to the decline in revenue generated in the Supply Chain Business of HKD632.2 million as compared with HKD2,114.8 million for the year ended 31 December 2021.

Such decrease can be attributed to the pessimistic outlook for the supply chain industry, which has led to reduced demand for non-ferrous metals and construction materials, as well as the ongoing measures implemented to combat the epidemic in China (the "**PRC**"). These measures have created a challenging environment for both upstream and downstream companies. Despite of these challenges, the Group remains committed to developing the Supply Chain Business in a prudent and conservative manner.

In order to diversify the business development and expand income streams of the Group, the management of the Group is continuous to seek potential opportunities in various business aspects. In the early of 2022, the Group expands its business to hotel management and catering services (the "**Hotel Management & Catering Services**") through the business acquisition. The segment included a range of hotels and catering services primarily in Guangdong and Guangxi Province, catering to the needs of different customer segments, with a focus on providing comfortable accommodations and food offerings.

In the second half of 2022, due to the impact of the COVID-19 pandemic, the tourism and catering services industries hindered business development. Guangdong and Gaungxi Provinces are where the pandemic is relatively severe. However, the Hotel Management & Catering Services segment still managed to contribute HKD87.5 million in revenue for the year ended 31 December 2022. Despite the challenges posed by the pandemic, the management of the Group has strived to maintain our market position and generate steady revenue growth.

For other businesses of the Group (including the money lending business (the "**Money Lending Business**"), securities investment (the "**Securities Investment**"), leasing business (the "**Leasing Business**"), and property investment (the "**Property Investment**"), the total revenue amounted to approximately HKD6.8 million as compared with that for the year ended 31 December 2021 of HKD10.4 million.

For the year ended 31 December 2022, the Group recorded a net loss of approximately HKD14.3 million as compared to a net loss of approximately HKD5.6 million for the year ended 31 December 2021.

LOOKING FORWARD

Faced the unprecedented change in a century and macroeconomic challenges in 2022, the management of the Group was rationally and carefully formulated the strategies with the mindset of walking on the thin ice. The globe has been harshly impacted by the pandemic for over three years, but as countries around the world are opening up to facilitate the movement of people, life is expected to return to normal, ushering in the end of the pandemic. The global economy is expected to make a strong "post-pandemic" recovery. The road to "return to normal", however, is not expected to be an easy one, and there are still many challenges worthy of our attention. The management of the Group will continue to exercise prudence to operate our other core businesses and to seize more investment opportunities for generating stable income and sustaining revenue growth under the unstable economic environment.

Meanwhile, the management of the Group and I shall continue to lead the Group to move forward while taking the initiative to provide great support to all employees to overcome the difficult times in order to further create value for our shareholders, customers, and employees, and strive to bring better returns for all shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude and appreciation toward all our shareholders, customers, suppliers and business partners for their supports, trust and confidence, and to the management and staff for their outstanding efforts and dedication.

Liao Nangang

Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2022, the principal activities of the Group are: (i) Supply Chain Business, (ii) Hotel Management & Catering Services, (iii) Leasing Business, (iv) Property Investment, (v) Money Lending Business in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and (vi) Securities Investment.

Supply Chain Business

As the Group's core business, the Supply Chain Business provides supply chain services of non-ferrous metals and construction materials. During the year ended 31 December 2022, the Supply Chain Business recorded a revenue of HKD632.2 million, a significant decrease of HKD1,482.6 million compared to the corresponding period in 2021.

Such decrease can be attributed to the pessimistic outlook for the supply chain industry, which has led to reduced demand for non-ferrous metals and construction materials, as well as the ongoing measures implemented to combat the epidemic in the PRC. These measures have created a challenging environment for both upstream and downstream companies. Despite of these challenges, the Group remains committed to developing the Supply Chain Business in a prudent and conservative manner, and will continue to tighten credit risk assessments while seeking to expand business opportunities with valuable customers.

For the year ended 31 December 2022, the segment result for the Supply Chain Business amounted to HKD8.8 million, representing a decrease of 68.1% compared to the corresponding period in the previous year. Apart from the significant decrease in the revenue contribution, the expected credit loss (the "ECL") on receivable of supply chain business was increased under the impact of the downward trend of the real estate market in the PRC, resulting in the decrease in the segment profit.

Hotel Management & Catering Services

Through the acquisition of Foresight Industrial Group Limited ("**Foresight Industrial**"), the Group expands its business to hotel management and catering services, which have become a key growth area and an essential part of the Group's operations. Over the past year, the management of the Company has focused on delivering high-quality service to our customers. The Hotel Management & Catering Services segment contributed HKD87.5 million in revenue for the year ended 31 December 2022. However, the business faced unexpected challenges in the fourth quarter of 2022 due to the resurgence of the pandemic in the PRC, which impacted its operations. Despite the challenges posed by the epidemic, the management of the Company has managed to maintain our market position and generate steady revenue growth.

The segment included a range of hotels and catering services primarily in Guangdong and Guangxi Provinces, catering to the needs of different customer segments, with a focus on providing comfortable accommodations and food offerings. In addition, an online platform is available to provide customers with a user-friendly booking experience and easy access to our services. The management will continue to review the operational efficiency to optimise the cost structure and improve the overall performance.

Leasing Business

The Leasing Business is conducted through direct leasing or sale-and-leaseback arrangements. As at 31 December 2022, there was an aggregate of HKD27.7 million in finance lease receivables and recognised revenue of HKD2.3 million for the year ended 31 December 2022. Over the past year, the measures taken to combat the epidemic in the PRC have had an impact to the Leasing Business and the potential customers are showing a preference for conservative investment in the leasing machinery. Since the epidemic has been brought under control and the measures have been lifted, the Group remain committed to taking a prudent approach and continue to seek out potential business opportunities.

Property Investment

During the year ended 31 December 2022, the Group has the investment properties located in Yunfu, PRC which generated HKD4.6 million in rental income. As at 31 December 2022, the fair value of the investment properties was HKD225.7 million. The Group will continue leasing out these investment properties to generate rental income, and may consider divesting them to improve working capital if and when it is deemed appropriate.

Money Lending Business and Securities Investment

In order to ensure the prudent management and healthy development of Money Lending Business, the Group will continue to adopt a rigorous risk management policy to conduct our operations. As such, for the year ended 31 December 2022, no loans were recorded and the Group remains conservative in our approach to engaging with potential customers.

Regarding the Securities Investment, the Group has made investments in listed securities in Hong Kong and the PRC while divesting unlisted equity securities for the acquisition of Foresight Industrial. The management will consider both short-term and long-term investments to optimise the portfolio and maximise benefits for the Group. The management will also remain vigilant in monitoring market developments and make necessary adjustments to the investment strategy as needed.

FINANCIAL REVIEW

Below is an analysis of the Group's key financial information including but not limited to revenue, expenses and loss for the year, which reflects the financial position of the Group's business.

Revenue

For the year ended 31 December 2022, the Group recorded a total revenue of HKD726.5 million, representing a decrease of 65.8% as compared with that for the year ended 31 December 2021 of HKD2,125.2 million. Such decrease was mainly due to the decline in revenue generated in the Supply Chain Business of HKD632.2 million as compared with HKD2,114.8 million for the year ended 31 December 2021.

Despite of such decrease in revenue in the Supply Chain Business, the Hotel Management & Catering Services opened up a new income stream for the Group and recorded a revenue of HKD87.5 million for the year (2021: nil).

The total revenue from the Money Lending Business, Securities Investment, Leasing Business, and Property Investment amounted to approximately HKD6.8 million as compared with that for the year ended 31 December 2021 of HKD10.4 million.

Expenses

The Group's direct costs and operating expenses significantly decreased by HKD1,374.3 million from HKD2,064.1 million for the year ended 31 December 2021 to HKD689.8 million for the year ended 31 December 2022. The decrease in direct costs and operating expenses was mainly due to the significant decline in revenue of the Supply Chain Business, which accounted for over 87% of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's administrative expenses increased by HKD16.4 million from HKD46.3 million for the year ended 31 December 2021 to HKD62.7 million for the year ended 31 December 2022. Such increase was mainly attributable to the ECL allowance on receivables and cost incurred by the newly acquired Hotel Management & Catering Services.

The Group's finance cost decreased by HKD16.1 million from HKD48.0 million for the year ended 31 December 2021 to HKD31.9 million for the year ended 31 December 2022, mainly due to the repayment of loans during the year.

Loss for the year

For the year ended 31 December 2022, the Group recorded a net loss of approximately HKD14.3 million as compared to a net loss of approximately HKD5.6 million for the year ended 31 December 2021. Such net loss was mainly due to (i) the reduction in revenue contribution from the Supply Chain Business for the year ended 31 December 2022; (ii) the recognition of the ECL on trade receivable of HKD18.3 million under the impact of the downward trend of the real estate market in the PRC; and (iii) the newly acquired business in hotel management and catering services has incurred losses of HKD23.1 million as a result of the resurgence of the pandemic in the PRC in the fourth quarter of 2022.

Trade and other receivables

The trade and other receivables mainly represents the trade receivables (net of ECL allowances) from the Supply Chain Business of HKD625.0 million (2021: HKD624.5 million) and other receivables from supply chain financing arrangements of HKD94.9 million (2021: HKD109.5 million). As at 31 December 2022, trade receivables (net of ECL allowances) from Supply Chain Business past due within 12 months and over 12 months are HKD39.6 million (2021: HKD69.1 million) and HKD17.4 million (2021: nil) respectively.

The decrease in trade and other receivables of HKD121.1 million was primarily due to the decrease in the deposits and prepayments amounting to HKD116.1 million, which the prepayments made to the suppliers in the Supply Chain Business was recognised as direct cost and operating expenses.

The Group seeks to maintain strict control over its outstanding receivables and the management actively monitor the status of its outstanding receivables and the rapid change of the market condition in order to minimise credit risk. The management regularly reviews the overdue balances, which performs assessment of recoverability on a case-by-case basis.

Trade and bills payables

As at 31 December 2022, the Group's trade and bills payable significantly decreased by HKD158.4 million from HKD310.8 million as at 31 December 2021 to HKD152.4 million. Such decrease was in line with the slowdown of the Supply Chain Business in the current year.

Other payables and accrued charges

As at 31 December 2022, the Group's other payables and accrued charges increased by HKD58.7 million from HKD24.2 million as at 31 December 2021 to HKD82.9 million. Such increase was mainly attributable to the newly acquired Hotel Management & Catering Services which mainly consists of advances received from the customer party relating to hotel management service business of HKD27.4 million.

LIQUIDITY, GEARING AND CAPITAL RESOURCES

As at 31 December 2022, the cash and cash equivalents of the Group were HKD37.7 million (2021: HKD15.4 million) and interest-bearing borrowings, including the borrowings and the lease liabilities were HKD470.9 million (2021: HKD527.6 million). The following table details the cash and cash equivalents, the borrowings and the lease liabilities of the Group as at 31 December 2022 denominated in original currencies:

	As 31 December 2022	
	HKD'000	RMB'000
Cash and cash equivalents	5,465	28,560
Borrowings	—	397,527
Lease liabilities	—	19,925
	As 31 December 2021	
	HKD'000	RMB'000
Cash and cash equivalents	15,113	269
Borrowings	6,000	422,286
Lease liabilities	—	3,709

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 31 December 2022, the gearing ratio, which is calculated on the basis of total debts (including interest-bearing borrowings and lease liabilities) over total shareholders' fund of the Group, was 82.8% (2021: 81.6%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.29 (2021: 1.30). Both ratios are stable in comparison to those as at 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (2021: nil).

FOREIGN CURRENCY AND INTEREST RATE RISKS MANAGEMENT

The Group adopts strict and cautious policies in managing its foreign currency risk and interest rate risk. The Group is not exposed to significant foreign currency risk as most sales, other income, purchases and expenses are denominated in the functional currency of the operations to which they relate. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The interest rate risk arises from borrowings, which, being obtained at variable rates and at fixed rates, expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through a variety of means.

PLEDGES OF GROUP ASSETS

As at 31 December 2022, the investment properties of the Group located in Yunfu, PRC with carrying amount of HKD225.7 million (2021: HKD244.2 million) and located in Beihai, PRC with carrying amount of HKD18.0 million (2021: nil), were pledged to banks for loans granted to the Group.

As at 31 December 2021, the financial assets at fair value through other comprehensive income of the Group with a carrying amount of HKD3.8 million were pledged to an independent third party to secure for other borrowing granted to the Group.

As at 31 December 2022, the structured deposits and pledged bank deposits of the Group with carrying amount of nil (2021: HKD72.8 million) and HKD38.9 million (2021: HKD98.0 million) were pledged as guarantee deposits for bills payable made available to the Group.

FINANCIAL GUARANTEES PROVIDED

As at 31 December 2022, the Company had provided corporate guarantees amounting to HKD314.7 million (2021: HKD342.9 million) and nil (2021: HKD6.0 million) in favour of certain banks and an independent third party respectively in connection with facilities granted to certain subsidiaries of the Group.

CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 December 2022, the Group invested HKD2.2 million (2021: HKD25,000) on property, plant and equipment, which included leasehold improvements and furniture, fixtures and equipment. As at 31 December 2022 and 2021, the Group had no capital commitments.

SIGNIFICANT INVESTMENTS HELD

The significant investments held by the Group are as follows:

	At 31 December 2022 HKD'000	At 31 December 2021 HKD'000
Financial assets at fair value through other comprehensive income	4,472	133,162
Financial assets at fair value through profit or loss		
— Listed equity securities	434	923
— Structured deposits	—	72,847
— Wealth management products	—	10,776
	4,906	217,708

Save as disclosed above, there were no significant investments held by the Group at 31 December 2022 and 2021.

INVESTMENT PROPERTIES HELD

Location	Usage	Tenure	Attributable interest of the Group
City Plaza No. 1 Yunxiang Avenue, Xijiang New District, Yunfu, Guangdong Province, the PRC	The investment property comprises 141 retailing shops for rental and/or capital appreciation	Granted the land use rights of the property until 29 October 2053	100%
Lizhu Building No. 11 Changqing Road, Haicheng District, Beihai City, Guangxi Province, the PRC	The investment property comprises 14-storey (with a basement) commercial building for rental and/or capital appreciation	Granted the land use rights of the property until 25 September 2042	100%

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Discloseable Transaction — Acquisition of the Entire Issued Share Capital of Foresight Industrial Group Limited

On 26 January 2022, the Company through its direct wholly-owned subsidiary, entered into a sale and purchase agreement with an independent third party in relation to acquire the entire issued share capital of Foresight Industrial. Foresight Industrial and its subsidiaries (“**Foresight Industrial Group**”) is principally engaged in hotel operations and management and provision of food and beverage catering services in the PRC, at a cash consideration of HKD120,000,000 (the “**Acquisition**”). Completion of the Acquisition took place on 1 April 2022. Thereafter, Foresight Industrial has become a wholly-owned subsidiary of the Company and the consolidated financial statements of the Foresight Industrial Group were consolidated into the consolidated financial statements of the Company.

Major Transaction — Disposal of Minority Interest in Golden Affluent Limited

On 28 January 2022, the Company through its direct wholly-owned subsidiary, entered into a share transfer agreement (the “**Share Transfer Agreement**”) with an independent third party in relation to disposal of 14.73% equity interest of Golden Affluent, at a cash consideration of HKD110,000,000 (the “**Disposal**”).

Completion of the Disposal took place on 31 May 2022. Thereafter, the Company did not hold any equity interest in Golden Affluent, which ceased to be classified as financial asset at fair value through comprehensive income in the Group’s consolidated financial statements. The Disposal had been approved as the ordinary resolutions by the shareholders of the Company at the special general meetings of the Company on 13 May 2022.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associated companies by the Group during the year ended 31 December 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 333 employees (2021: 46 employees). The total staff cost of the Group amounted to approximately HKD55.2 million for the year ended 31 December 2022, representing 7.6% of the Group's turnover. Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

EVENTS AFTER THE REPORTING PERIOD

The Company does not have any significant events after the reporting period.

FUTURE PROSPECTS

Looking ahead to 2023, the Group is committed to improving the performance of our core business, the Supply Chain Business. Our primary goal is to enhance our operational efficiency by eliminating non-value-added activities and focusing on providing better services to our customers. Additionally, the Group will continue to expand our customer base and to improve the overall performance in the Supply Chain Business.

In addition, the Group has acquired a group of companies that are primarily engaged in hotel management and catering services. This is a significant milestone for the Group as it has opened up a new avenue to revenue generation. Our goal is to establish a strong presence in the hotel management and catering services industry and strengthen our market position. As the anti-epidemic measures have been relaxed recently, there is an increase in demand for hotel management and catering services. The management will focus on enhancing the operational efficiency and expanding our customer base to improve overall profitability.

The Leasing Business will maintain stable and healthy development by strictly adhering to regulatory requirements in the finance lease industry. The management will continue to adopt a risk-averse approach and maintain strict risk control to extend our services to market players in other industries. Besides, the management of the Group adopts a cautious and prudent approach towards other businesses, including Property Investment, Money Lending Business and Securities Investment. The management will continue to evaluate their performance and make necessary adjustments to ensure their sustainability.

Moving forward, the management of the Group will seek business continuity, adjust the operating strategies in a timely manner and safeguard the Group's resources to ensure that the Group is well-positioned to capitalise on future opportunities.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The Directors and senior management at the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Liao Nangang, aged 53, was appointed as Chairman and Executive Director of the Company on 1 April 2021, and the Chairman of each of the Nomination Committee, the Strategic Committee, and the Investment and Fund Raising Committee of the Company.

Mr. Liao graduated from East China University of Political Science and Law with a bachelor degree in international economic law in 1992. Mr. Liao is qualified as a lawyer in the People's Republic of China in 2001 and he has over 20 years of experience in the legal and investment sector.

Currently, he is also the sole shareholder and director of 深圳前海衡同資產管理有限公司 (Shenzhen Qianhai Hengtong Asset Management Co., Ltd.). He is also the ultimate beneficial owner of Tengyue Holding Limited ("**Tengyue Holding**") and Beyond Glory Holdings Limited ("**Beyond Glory**"), respectively.

Mr. Liao was the independent director of Maoye Commercial Co., Ltd. (stock code: 600828), which is listed on the Shanghai Stock Exchange, from 1 September 2016 to 12 December 2022. In addition, he was the independent director of each of Shenzhen Nanshan Power Co., Ltd. (stock code: 000037) and ZJBC Information Technology Co., Ltd (formerly known Maoye Communication and Network Co., Ltd.) (stock code: 000889), which are respectively listed on the Shenzhen Stock Exchange. He also was served as a partner of the law firms.

Pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"), as at the date of this report, 980,000,000 shares of the Company are held by Tengyue Holding, which is wholly-owned by Beyond Glory. As Beyond Glory is wholly-owned by Mr. Liao, he is deemed to be interested in these shares by virtue of SFO, representing 25.13% of the issued share capital of the Company, and is a substantial shareholder of the Company.

Ms. Qian Pu, aged 33, was appointed as Executive Director of the Company on 8 September 2016 and subsequently appointed as Chief Executive Officer of the Company on 1 April 2021. She is a member of each of the Nomination Committee, the Remuneration Committee, the Strategic Committee, and the Investment and Fund Raising Committee; and one of the authorised representatives of the Company. She also holds directorships in certain subsidiaries of the Company.

Ms. Qian graduated from Huazhong University of Science and Technology, the PRC with a bachelor's degree in Arts and Wuhan University of Science and Technology, PRC with a bachelor's degree in Engineering respectively in 2012. She also obtained a master's degree course in financial management from University of Alberta, Canada in 2020. She has over 9 years of managerial experience in finance investment.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Wang Jian, aged 52, was appointed as Executive Director of the Company on 23 August 2016. And subsequently to March 2021, he acted as Chairman and Chief Executive Officer of the Company, and the Chairman of each of the Strategic Committee and the Investment and Fund Raising Committee of the Company.

Mr. Wang has about 17 years of managerial experience in the construction and engineering industry. He was a legal representative for over 10 years of a company incorporated in the PRC that specialize in the construction engineering industry. Currently, Mr. Wang is also the director of Massive Thriving Limited (“**Massive Thriving**”).

Pursuant to Part XV of the SFO, as at the date of this report, 596,253,000 shares of the Company are held by Massive Thriving, which is wholly-owned by Mr. Wang. Accordingly, he is deemed to be interested in these shares, representing 15.29% of the issued share capital of the Company, and is a substantial shareholder of the Company.

Mr. Ning Jie, aged 39, was appointed as Executive Director of the Company on 25 September 2020.

He obtained a bachelor’s degree in law and a second bachelor’s degree in accounting from Southwest University of Political Science and Law. Mr. Ning is qualified as a lawyer in the People’s Republic of China in 2013 and he also has more than 17 years of experience in the legal sector.

Currently, Mr. Ning is as an independent non-executive director of Zhicheng Technology Group Ltd. (stock code: 8511), which is listed on the GEM of the Stock Exchange, and is also a senior partner of 廣東港聯律師事務所 (Guandong Ganglian Law Firm).

NON-EXECUTIVE DIRECTOR

Mr. Liu Xiaowei, aged 46, was appointed as Non-executive Director of the Company on 2 July 2021.

Mr. Liu obtained a self-study undergraduate certificate (Adult Higher Education) in Chinese Language and Literature from South China Normal University in 2005 and he also obtained a self-study undergraduate certificate (Adult Higher Education) in Law from Sun Yat-sen University in 2014. Mr. Liu is qualified as a lawyer in the PRC in 2011 and he also has more than 15 years of experience in the legal sector.

Currently, Mr. Liu is a partner of 廣東冠諾律師事務所 (G.D. Grannor Partners). Prior to joining the Group, Mr. Liu served as legal counsel to a number of listed companies in PRC, involving initial public offerings (IPO) and mergers and acquisitions projects.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Ching Yi, aged 48, was appointed as Independent Non-executive Director of the Company on 16 December 2022. She is the chairman of the Audit Committee; and a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Ms. Chan has obtained a bachelor degree in accountancy from City University of Hong Kong and has accumulated more than 20 years of financial and auditing experience.

Currently, Ms. Chan is the company secretary of each of ShiFang Holding Limited (stock code: 1831) and Xinjiang Tianye Water Saving Irrigation System Company Limited (stock code: 840), both companies are listed on the Main Board of the Stock Exchange.

Mr. Chan Kin Sang, aged 71, was appointed as Independent Non-executive Director of the Company on 3 April 2018. He is a member of each of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee of the Company.

Mr. Chan is currently a senior partner of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries (a law firm which provides various services including corporate matters and litigations). He obtained a bachelor's degree in Laws from the University of Hong Kong in 1979 and a postgraduate certificate in Laws from the University of Hong Kong in 1980. He has been a practising solicitor in Hong Kong since April 1982 and has been admitted as a Notary Public since April 1997 and a China-appointed Attesting Officer since January 2000. Mr. Chan has also been a Fellow of The Hong Kong Institute of Directors since August 2004.

Currently, Mr. Chan is a non-executive director of Sino Harbour Holdings Group Limited (stock code: 1663) since April 2020, an independent non-executive director of each of GoFintech Innovation Limited (formerly known as China Fortune Financial Group Limited) (stock code: 290) since July 2014 and Huakang Biomedical Holdings Company Limited (stock code: 8622) since November 2018, all of which are listed on the Main Board and GEM of the Stock Exchange, respectively.

Mr. Chan held directorships in a number of Hong Kong, Singapore and PRC listed companies. He was a non-executive director of Pan Hong Holdings Group Limited (stock code: P36) from August 2006 to March 2020 which listed on the main board of Singapore Exchange Limited. He also acted as a director of Guanghe Landscape Culture Communication Co., Ltd, Shanxi (stock code: 600234) which is listed on the Shanghai Stock Exchange from October 2017 to October 2020.

Mr. Zheng Suijun, aged 60, was appointed as Independent Non-executive Director of the Company on 31 August 2016. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

Mr. Zheng has more than 17 years of managerial experience in taxation advisory business. Currently, Mr. Zheng is a chairman of the board of directors of Shenzhen Jinnuo Tax Agency Co., Ltd. since 2004.

SENIOR MANAGEMENT

Mr. Sze Kat Man, aged 36, joined the Group in October 2014 as the Financial Controller of the Group and was appointed as company secretary (the "**Company Secretary**") and authorised representative of the Company on 16 April 2017. He also holds directorships in certain subsidiaries of the Company. He is currently responsible for the overall financial management and company secretarial matters of the Group. Mr. Sze graduated from City University of Hong Kong with an Associate of Business Administration in Accountancy and is a member of the HKICPA. He has over 14 years of experience in professional audit and accounting fields.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the Supply Chain Business, Hotel Management & Catering Services, Leasing Business, Property Investment, Money Lending Business and Securities Investment. The principal activities and other particulars of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 31 December 2022 by segments are set out in note 10 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

BUSINESS REVIEW

Details of the Group's business review and business prospect during the year are set out in the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statements of profit or loss and other comprehensive income on pages 43 and 44 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (31 December 2021: Nil).

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2022 are set out in the consolidated statement of change in equity on page 47 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2022, calculated under the Companies Act 1981 of Bermuda (the "Companies Act"), amounted to HKD414,779,000 (2021: HKD419,278,000).

SHARE CAPITAL

As at 31 December 2022, the issued share capital of the Company was 3,900,000,000 ordinary shares of HKD0.02 each (the "Share(s)").

Movements in the share capital of the Company during the year are set out in note 28(c) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "**Bye-laws**") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

CHARITABLE DONATIONS

During the year, the Group has not made any charitable donations (2021: Nil).

BORROWINGS

As at 31 December 2022, the Group had borrowings of approximately HKD448.5 million (2021: HKD523.1 million).

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group acquired property, plant and equipment at a cost of approximately HKD2.2 million for the purpose of expanding the Group's business (2021: HKD25,000).

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the five largest customers of the Group together accounted for 83.5% of the Group's total revenue, with the largest customer accounting for 53.6% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers was 87.2% of the Group's total purchases for the year ended 31 December 2022, and the largest supplier accounted for 63.5% of the Group's total purchases.

During the year under review, none of the Directors or any of their close associates or any shareholder of the Company, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RELATED PARTY TRANSACTION

The Group entered into certain related party transactions as disclosed in note 34 to the consolidated financial statements during the year. During the year ended 31 December 2022, none of the related party transactions constitute a connected transaction or continuing connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this report were:

Executive Directors

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu (*Chief Executive Officer*)
Mr. Wang Jian
Mr. Ning Jie

Non-executive Directors

Mr. Shin Yick Fabian (*Resigned on 3 February 2023*)
Mr. Liu Xiaowei

Independent Non-executive Directors

Mr. Chan Ngai Sang Kenny (*Resigned on 16 December 2022*)
Ms. Chan Ching Yi (*Appointed on 16 December 2022*)
Mr. Chan Kin Sang
Mr. Zheng Suijun

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into continuous service contract with the Company. All non-executive Directors (including independent non-executive Directors) are appointed for an initial term of one year. All the Directors are subject to retirement in accordance with the Listing Rules and the Bye-laws.

In accordance with Bye-law No. 86(2) of the Bye-laws, any Director appointed by the Board to fill a casual vacancy should hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Accordingly, Ms. Chan Ching Yi shall retire, and being eligible, offer herself for re-election at the forthcoming annual general meeting.

In accordance with the Bye-law No. 87(1), Mr. Wang Jian and Ms. Qian Pu will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

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

The biographical details of Directors are set out in the section headed "Directors and Senior Management Profile" of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Directors nor a connected entity of Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company, its controlling shareholder or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2022.

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 in existence during this period.

COMPETING INTERESTS

None of the Directors is interested in any business (apart from the business of the Company or its subsidiaries) which compete, either directly or indirectly, with the principal business of the Company or its subsidiaries during year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follow:

Name of Director	Number of Shares Held <small>(Note 1)</small>	Capacity	Approximate % Shareholding <small>(Note 2)</small>
Mr. Liao Nangang <small>(Note 3)</small>	1,092,000,000	Interest of controlled corporation	28.00%
Mr. Wang Jian <small>(Note 4)</small>	596,253,000	Interest of controlled corporation	15.29%

Notes:

- All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.
- The percentage was calculated based on the total number of Shares of the Company as at 31 December 2022, which was 3,900,000,000.
- These 1,092,000,000 Shares are owned by Tengyue Holding which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly-owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao are deemed to be interested in all the Shares held by Tengyue Holding by virtue of the SFO.
- These 596,253,000 Shares are owned by Massive Thriving which is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2022 was the Company, or any of its holding companies or fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors or their connected entities to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as is known to the Directors and chief executive of the Company, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follow:

Name of Shareholders	Number of Shares Held <i>(Note 1)</i>	Capacity	Approximate % of Shareholding <i>(Note 2)</i>
Tengyue Holding <i>(Note 3)</i>	1,092,000,000	Beneficial owner	28.00%
Beyond Glory <i>(Note 3)</i>	1,092,000,000	Interest of controlled corporation	28.00%
Youngheng Holdings Limited ("Youngheng Holdings") <i>(Note 4)</i>	720,000,000	Beneficial owner	18.46%
Mr. Shi Andong ("Mr. Shi") <i>(Note 4)</i>	720,000,000	Interest of controlled corporation	18.46%
Massive Thriving <i>(Note 5)</i>	596,253,000	Beneficial owner	15.29%
Glory Sun Financial Group Limited ("GSFG") <i>(Note 6)</i>	571,079,950	Interest of controlled corporation	14.64%
Glory Sun Financial Holdings Limited ("GSFH") <i>(Note 6)</i>	571,079,950	Interest of controlled corporation	14.64%
Great Sphere Developments Limited ("GSDL") <i>(Note 6)</i>	571,079,950	Interest of controlled corporation	14.64%
Golden Affluent Limited ("GAL") <i>(Note 6)</i>	474,202,000	Interest of controlled corporation	12.16%
Proficient Power Limited <i>(Note 6)</i>	474,202,000	Interest of controlled corporation	12.16%
Glory Sun Securities Limited ("GSSL") <i>(Note 6)</i>	474,202,000	Beneficial owner	12.16%
Mr. Huang Shilong	275,500,000	Beneficial owner	7.06%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.
2. The percentage was calculated based on the total number of Shares of the Company as at 31 December 2022, which was 3,900,000,000.
3. These 1,092,000,000 Shares are owned by Tengyue Holding which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly-owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao are deemed to be interested in all the Shares held by Tengyue Holding by virtue of the SFO.
4. These 720,000,000 Shares are owned by Youngheng Holdings (now known as Orient Truth Limited) which is wholly-owned by Mr. Shi. Accordingly, Mr. Shi is deemed to be interested in all the Shares held by Youngheng Holdings by virtue of the SFO.
5. These 596,253,000 Shares are owned by Massive Thriving which is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of the SFO.
6. According to Glory Sun Credit Limited ("GSCL") is interested in 96,877,950 Shares by way of a security interest in those Shares. GSCL is wholly-owned by Stellar Result Limited, which is in turn wholly-owned by GSFG through GSDL and GSFH. GSSL is directly interested in 474,202,000 Shares and is indirectly owned by GSFG through GSFH, GSDL, Golden Affluent, among others. Accordingly, GSFG is deemed to be interested in all 571,079,950 Shares in which GSCL and GSSL are directly interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any other person or corporation (other Directors or chief executive of the Company) as being interested or deemed to have interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Part XV of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director(s) of the Company since the date of the 2022 interim report of the Company and up to the date of this annual report are set out below:

Name of Directors	Details of Changes
Mr. Chan Ngai Sang Kenny	<ul style="list-style-type: none"> <li data-bbox="528 588 1441 648">– Remuneration of Mr. Chan Ngai Sang Kenny was adjusted from HKD264,000 per annum to HKD120,000 per annum with effect from 1 November 2022. <li data-bbox="528 685 1410 711">– Resigned as an independent non-executive Director on 16 December 2022. <li data-bbox="528 748 1441 836">– Ceased to be the chairman of the Audit Committee, and a member of each of the Nomination Committee and the Remuneration Committee on 16 December 2022.
Mr. Chan Kin Sang	<ul style="list-style-type: none"> <li data-bbox="528 875 1441 935">– Remuneration of Mr. Chan Kin Sang was adjusted from HKD264,000 per annum to HKD120,000 per annum with effect from 1 November 2022.
Mr. Zheng Suijun	<ul style="list-style-type: none"> <li data-bbox="528 972 1441 1032">– Remuneration of Mr. Zheng Suijun was adjusted from HKD264,000 per annum to HKD120,000 per annum with effect from 1 November 2022.
Mr. Chan Ching Yi	<ul style="list-style-type: none"> <li data-bbox="528 1069 1430 1095">– Appointed as an independent non-executive Director on 16 December 2022. <li data-bbox="528 1131 1441 1224">– Appointed as the chairman of the Audit Committee, and a member of each of the Nomination Committee and the Remuneration Committee on 16 December 2022.
Mr. Shin Yick Fabian	<ul style="list-style-type: none"> <li data-bbox="528 1261 1225 1287">– Resigned as a non-executive Director on 3 February 2023. <li data-bbox="528 1323 1441 1381">– Ceased to be a member of each of the Strategic Committee and the Investment and Fund Raising Committee on 3 February 2023.

Save as disclosed, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The 2023 Annual General Meeting of the Company is scheduled to be held on Friday, 23 June 2023 (the “AGM”). The register of members of the Company will be closed from Monday, 19 June 2023 to Friday, 23 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer of share(s) accompanied by the relevant share certificate(s), must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 June 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued Shares of the Company as required under the Listing Rules throughout the year ended 31 December 2022 and up to the date of this report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties in their offices.

Such permitted indemnity provision has been in force throughout the year and is still in force. In addition, the Company has arranged appropriate directors’ and officers’ liability insurance coverage for the directors and officers of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”) throughout the year under review, with the exception of a few deviations. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

Detailed information on the Company’s corporate governance principles and practices are set out in the section headed “Corporate Governance Report” of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company will be available on the website of the Stock Exchange and the Company, at the same time as the publication of this annual report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 have been audited by Baker Tilly Hong Kong Limited (“**BTHK**”), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On Behalf of the Board

Liao Nangang

Chairman

Hong Kong, 31 March 2023

CORPORATE GOVERNANCE REPORT

The Company's corporate governance structure mirrors the provisions of the CG Code as set out in Appendix 14 of the Listing Rules. The Company ascribes to good governance and transparency with a view that through these business ethics, shareholders and other stakeholders are assured of a solid and credible business framework. The Company recognises the need to adapt and improve business practices in the light of the evolving business environment, investor expectations and regulatory requirements. The Board is tasked to review the corporate governance structure of the Company and effect changes whenever necessary. It views the need for transparency in practices and policies and making informed decisions as fundamental.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company has applied the principles of, and complied with, the applicable code provisions of the CG Code, except for the following deviations:

Under code provision F.2.2, the chairman of the board should attend the annual general meeting. Mr. Liao Nangang, being the chairman of the Board was unable to attend the annual general meeting on 24 June 2022 (the "**2022 AGM**") due to the circumstances under the COVID-19 outbreak. Mr. Liao will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so. Mr. Liao had entrusted Mr. Shin Yick, Fabian, being the then non-executive Director, to respond to shareholders' concerns (if any) on his behalf at the 2022 AGM.

The Board will continuously review the effectiveness of the corporate governance structure of the Company and effect changes whenever necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors had complied with the Model Code for the year ended 31 December 2022.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2022, the Board comprised nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. During the year and up to the date of this report, the composition of the Board is as follows:

Executive Directors

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu (*Chief Executive Officer*)
Mr. Wang Jian
Mr. Ning Jie

Non-executive Directors

Mr. Shin Yick Fabian (*Resigned on 3 February 2023*)
Mr. Liu Xiaowei

Independent Non-executive Directors

Mr. Chan Ngai Sang, Kenny (*Resigned on 16 December 2022*)
Ms. Chan Ching Yi (*Appointed on 16 December 2022*)
Mr. Chan Kin Sang
Mr. Zheng Suijun

The biographical details of the Directors are set out in the section headed "Directors and Senior Management Profile".

There was no relationship (including financial, business, family or other material or relevant relationships) among members of the Board.

Responsibilities of the Board

Apart from its statutory and fiduciary responsibilities, the Board is primarily responsible for reviewing and overseeing the financial and business performance of the Group. It is accountable for the overall strategic development of the Group with the objective to maximise shareholders' value. Material matters are reserved for the Board's considerations or decisions which include, among other things, overall strategy of the Group, business plans, annual budgets, significant capital expenditure, financial reports, dividend policy and payments, material acquisitions, disposals or investment proposals, Directors' appointments, re-appointments or removal, and other material transactions. The Bye-laws provide that all Director must declare their respective interests, if any, with regards to the resolutions of the Board. In case, a Director has a conflict of interest in a material matter, such Director shall abstain from voting and not be counted in quorum.

The Board has also delegated its duties of managing and implementing the daily operations and business strategies of the Group to the Chief Executive Officer, Executive Directors and senior management of the Company. Moreover, the Board has delegated certain of its responsibilities to the Audit Committee, Remuneration Committee, Nomination Committee, Strategic Committee, and Investment and Fund Raising Committee.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are segregated and held by Mr. Liao Nangang and Ms. Qian Pu, respectively, to ensure their respective independence, accountability and responsibility. The Chairman provides leadership and is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally. There is a clear division of responsibilities between the Chairman and Chief Executive Officer which provides a balance of power and authority.

The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Independent Non-executive Directors

The Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence.

Continuous Professional Development

Under code provision C.1.4 of CG Code regarding continuous professional development ("CPD"), Directors should participate in CPD to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2022 all Directors have participated in appropriate CPD activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

The participation by individual Directors in 2022 is recorded as follows:

Name of Directors	Attending seminars/conference or reading material relating to the business, accounting law, rules and regulations.
Executive Directors	
Mr. Liao Nangang	Yes
Ms. Qian Pu	Yes
Mr. Wang Jian	Yes
Mr. Ning Jie	Yes
Non-executive Directors	
Mr. Shin Yick Fabian (<i>Resigned on 3 February 2023</i>)	Yes
Mr. Liu Xiaowei	Yes
Independent Non-executive Directors	
Mr. Chan Ngai Sang Kenny (<i>Resigned on 16 December 2022</i>)	N/A
Ms. Chan Ching Yi (<i>Appointed on 16 December 2022</i>)	Yes
Mr. Chan Kin Sang	Yes
Mr. Zheng Suijun	Yes

During the year ended 31 December 2022, save for Mr. Chan Ngai Sang Kenny who resigned with effect from 16 December 2022, all Directors confirmed to the Company that they had received CPD training.

Director's Attendance of the Meetings

The Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. In addition, the Board would also hold the other Board meetings with a short notice given to discuss the material transactions as and when required. During the year ended 31 December 2022, six Board meetings, two Audit Committee meetings, two Remuneration Committee meetings, two Nomination Committee meetings, one special general meeting and one annual general meeting were held. Attendances of these meetings by Directors are set out below:

Name of Directors	Number of Meetings Attended/Eligible to Attend					Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Special General Meeting	
Executive Directors						
Mr. Liao Nangang	4/6	N/A	N/A	1/2	Yes	No
Ms. Qian Pu	6/6	N/A	2/2	2/2	Yes	No
Mr. Wang Jian	5/6	N/A	N/A	N/A	Yes	No
Mr. Ning Jie	6/6	N/A	N/A	N/A	Yes	No
Non-executive Directors						
Mr. Shin Yick Fabian ^(Note 1)	5/6	N/A	N/A	N/A	Yes	Yes
Mr. Liu Xiaowei	6/6	N/A	N/A	N/A	Yes	No
Independent Non-executive Directors						
Mr. Chan Ngai Sang Kenny ^(Note 2)	4/4	2/2	2/2	2/2	Yes	Yes
Ms. Chan Ching Yi ^(Note 3)	1/1	N/A	N/A	N/A	N/A	N/A
Mr. Chan Kin Sang	6/6	2/2	2/2	2/2	Yes	Yes
Mr. Zheng Suijun	6/6	2/2	2/2	2/2	Yes	No

Notes:

1. Resigned as a non-executive Director on 3 February 2023.
2. Resigned as an independent non-executive Director on 16 December 2022.
3. Appointed as an independent non-executive Director on 16 December 2022.

BOARD COMMITTEES

The Board has maintained five board committees (the "Board Committee(s)"). Each of the Board Committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Fund Raising Committee and the Strategic Committee, is to assist in the execution of the Board's responsibilities and to oversee particular aspect of the Group's affairs. Each Board Committee is provided with sufficient resources to discharge its duties properly, and holds meetings in accordance with the Bye-laws, its specific written terms of reference and, where applicable, the proceedings of Board meeting.

Audit Committee

The Audit Committee was established on 9 November 2001. The Audit Committee comprises three members of all whom are independent non-executive Directors, namely:

Mr. Chan Ngai Sang Kenny (*Chairman*) ^(Note 1)
 Mr. Chan Ching Yi (*Chairman*) ^(Note 2)
 Mr. Chan Kin Sang
 Mr. Zheng Suijun

Notes:

1. Ceased to be the Chairman on 16 December 2022.
2. Appointed as the Chairman on 16 December 2022.

The major duties of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Group, and to provide recommendation and advices to the Board on the appointment, reappointment and removal of external auditor as well as their terms of appointment. The authority and duties of the Audit Committee are set out in its specific written terms of reference. The Audit Committee has explicit authority to investigate any activity within its duties and responsibilities and the authority to obtain outside legal or other independent professional advice if it considers necessary. Full text of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least twice a year. During the year ended 31 December 2022, two committee meetings were held. Attendances of the meetings have been disclosed on page 28 of this annual report.

During the year ended 31 December 2022, a summary of the work of the Audit Committee is as follows:

1. reviewing the audited annual results for the year ended 31 December 2021 and the unaudited interim results for the six months ended 30 June 2022, with a recommendation to the Board for approval;
2. reviewing the external auditor's statutory audit plan and the letters of representation;
3. reviewing the findings and recommendations of the internal auditor;
4. reviewing the Group's financial and accounting policies and practices;
5. reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, with a recommendation to the Board for the re-appointment of the external auditor at the 2022 AGM;
6. considering and approving the remuneration and terms of engagement letters for the purpose of appointing the external auditor, BTHK, in connection with the statutory audit and review of the results announcements by BTHK; and
7. overseeing and reviewing the effectiveness of the internal control and risk management systems, and the adequacy of the accounting, internal audit and financial reporting function of the Group.

The chairman of the Audit Committee will report the findings and recommendations, if any, to the Board after each meeting.

The consolidated financial statements for the year ended 31 December 2022 was reviewed and recommended by the Audit Committee for the Board's approval for public release.

Nomination Committee

The Nomination Committee was established on 23 March 2005. The Nomination Committee comprises five members, a majority of them being independent non-executive Directors, namely:

Mr. Liao Nangang (*Chairman*)
Mr. Chan Ngai Sang Kenny (*Note 1*)
Ms. Chan Ching Yi (*Note 2*)
Mr. Chan Kin Sang
Ms. Qian Pu
Mr. Zheng Suijun

1. Ceased to be a member on 16 December 2022.
2. Appointed as a member on 16 December 2022.

The major duties of the Nomination Committee are to formulate a formal and transparent process for the Company in the appointment of new Directors; to identify and nominate candidates for directorship; to assess the independence of each Independent Non-executive Director; and to make recommendations to the Board on such appointments. The Nomination Committee also reviews the Board structure and composition by considering the benefits of all aspects of diversity, including but not limited to differences in the background, experience, knowledge, expertise and perspectives of members of the Board. The authority and duties of the Nomination Committee are set out in its specific written terms of reference. Full text of the terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet at least once a year. During the year ended 31 December 2022, two committee meetings were held. Attendances of the meetings have been disclosed on page 28 of this annual report.

During the year ended 31 December 2022, a summary of the work of the Nomination Committee is as follows:

1. reviewing and considered that the structure, size, diversity and composition of the Board are appropriate;
2. assessing the independence of independent non-executive Directors;
3. considering and making recommendation to the Board relating to the appointment of Ms. Chan Ching Yi as an independent non-executive Director; and
4. considering and making recommendation to the Board relating to the re-election of the retiring Directors at the 2022 AGM.

Board Diversity Policy

The Company adopted a board diversity policy on 24 January 2019 to achieve diversity on the Board composition ("**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition. In designing the Board composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience and qualifications, skills, knowledge, length of service and industry and regional experience.

The Nomination Committee is responsible for the review of the measurable objectives, such as the length of services and professional knowledge of the Directors, adopted for implementing the board diversity policy in terms of nomination of a potential candidate and re-appointment of existing Director and the progress on achieving the objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness.

During the year ended 31 December 2022, our Board consists of eight male members and two female members with two Directors of age 32 to 45 years old, seven Directors of age 46 to 60 years old and one Director of over 70 years old. The Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation. The total gender diversity of the Group is balanced, at approximately 45%, representing 150 female out of 333 employees (including senior management) as at 31 December 2022. To support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours.

Nomination Policy

The Company had adopted a nomination policy on 16 December 2022 (the “**Nomination Policy**”) which aims at assisting the Nomination Committee in identifying and nominating suitable candidates for directorship based on the Board Diversity Policy and sets out the nomination criteria and the nomination procedures for (i) nominating new Director to fill a casual vacancy on the Board; (ii) making recommendation to Shareholders regarding any Director proposed for election or re-election of Director at general meeting; and (iii) nomination by Shareholders on election of new Director.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its continued effectiveness.

Remuneration Committee

The Remuneration Committee was established on 23 March 2001. The Remuneration Committee comprises four members, a majority of them being independent non-executive Directors, namely:

Mr. Chan Kin Sang (*Chairman*)
 Mr. Chan Ngai Sang Kenny ^(Note 1)
 Mr. Chan Ching Yi ^(Note 2)
 Ms. Qian Pu
 Mr. Zheng Suijun

Notes:

1. Ceased to be a member on 16 December 2022.
2. Appointed as a member on 16 December 2022.

The major duties of the Remuneration Committee are to assist the Board to develop and administer fair and transparent procedures for setting remuneration policies of the Directors (including non-executive Directors) and senior management of the Company, and to make recommendations to the Board on the specific remuneration packages of all Directors and senior management of the Company, including benefits-in-kind, pension rights, and compensation payments. The Directors' remuneration is determined by reference to each Director's duties and responsibilities and accountability in the Group as well as the overall performance of the respective company and the Group and the prevailing market situation and competitiveness in the industry. The remuneration packages of the Directors are recommended by the Remuneration Committee and determined by the Board except that no Director or any of his/her associates and senior management can determine his/her own remuneration. The authority and duties of the Remuneration Committee are set out in its specific written terms of reference. Full text of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The Remuneration Committee meets at least once a year. During the year ended 31 December 2022, two committee meetings was held. Attendances of the meetings have been disclosed on page 28 of this annual report.

During the year ended 31 December 2022, a summary of the works of the Remuneration Committee is as follows:

1. reviewing the existing remuneration packages and emolument of the Board and senior management; and
2. considering and making recommendation to the Board relating to the remuneration of newly appointed Director(s) (including independent non-executive Director(s)).

Remuneration of Members of the Senior Management by Band

Pursuant to code provision E.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2022 is set out below:

Within the band of	Number of individuals
Nil to HKD1,000,000	4
HKD1,500,001 to HKD2,000,000	1
	5

Details of the remuneration of each Director for the year ended 31 December 2022 are set out in note 7 to the consolidated financial statements of this annual report.

Investment and Fund Raising Committee

The Investment and Fund Raising Committee was established on 28 March 2017. The Investment and Fund Raising Committee comprises three members, a majority of them being executive Directors, namely:

Mr. Liao Nangang (*Chairman*)
 Ms. Qian Pu
 Mr. Shing Yick Fabian (*Note 1*)

Note:

1. Ceased to be a member on 3 February 2023.

The Board has established the Investment and Fund Raising Committee for the purpose of, among others, reviewing and providing recommendations to the Board for appropriate investment and treasury strategies; and considering, reviewing, evaluating and making recommendations to the Board on different investment opportunities from time to time proposed by the management team of the Company and its subsidiaries.

During the year ended 31 December 2022, one Investment and Fund Raising Committee meeting was held. Attendance of the members at the meeting is set out as follows:

Committee members	Meeting attended/held
Mr. Liao Nangang	1/1
Ms. Qian Pu	1/1
Mr. Shin Yick Fabian	0/1

The Investment and Fund Raising Committee provided recommendation to the Board for the fund-raising activities and investment opportunities for the Company; and reviewed annual performances of property and securities investments during the year.

Strategic Committee

The Strategic Committee was established on 28 March 2017. The Strategic Committee comprises three members, a majority of them being executive Directors, namely:

Mr. Liao Nangang (*Chairman*)
 Ms. Qian Pu
 Mr. Shing Yick Fabian (*Note 1*)

Note:

1. Ceased to be a member on 3 February 2023.

The Board established the Strategic Committee for the purpose of, among others, reviewing and providing recommendations to the Board for appropriate long-term development strategy of the Company and its subsidiaries.

During the year ended 31 December 2022, one Strategic Committee meeting was held. Attendance of the members at the meeting is set out as follows:

Committee members	Meeting attended/held
Mr. Laio Nangang	1/1
Ms. Qian Pu	1/1
Mr. Shin Yick Fabian	0/1

The Strategic Committee provided recommendation to the Board for the medium-term and long-term strategic development planning for the Company; and reviewed overall performances of the Group during the year.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group. The Directors also ensure that the financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards on a going concern basis. The Board ensures that the publication of the financial statements of the Group is in a timely manner.

The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the consolidated financial statements. The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the Group consolidated financial statements, is set out in the section headed "Independent Auditor's Report" of this annual report.

Risk Management and Internal Control

During the year, the Group appointed BT Corporate Governance Limited (“**BTCG**”) as an external independent professional to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control reviews and assess effectiveness of the Group’s risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by BTCG to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of BTCG as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information, in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the SFO. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, staff training arrangements, etc.

The Company will continue to engage external independent professionals to review the Group’s system of internal controls and risk management and further enhance the Group’s internal control and risk management systems as appropriate.

Services	HKD’000
BTHK:	
– Audit services	940
– Other services	569
	1,509
BTCG:	
– Internal control review services	150
	1,659
Total	1,659

COMPANY SECRETARY

Mr. Sze Kat Man joined the Company as the financial controller of the Company since October 2014, and was appointed as Company Secretary in April 2017. The biographical details of Ms. Sze are set out the section headed “Directors and Senior Management Profile”. During the year ended 31 December 2022, Mr. Sze has complied with Rule 3.29 of the Listing Rules on taking no less than 15 hours of relevant professional training.

DIVIDEND POLICY

The Board has formulated a dividend policy with the aim of enhancing transparency of the Company and facilitating the shareholders and investors to make informed investment decision relating to the Company's shares. The Board shall also take into account the following factors of the Group before considering the declaration and payment of dividends:

- earnings and financial condition;
- operating requirements;
- capital requirements and expenditure plans;
- financial results;
- cash flow situation;
- business conditions and strategies;
- interests of the shareholders of the Company;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The policy will continue to be reviewed from time to time by the Board and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

SHAREHOLDERS' RIGHT

1. Procedures for Convening a Special General Meeting

Pursuant to the Bye-laws of the Company, the Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company have rights to require a special general meeting to be called by the Board for the transaction of any business specified in written requisition, which must be signed by the requisitionist(s). The requisition must be deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "**Registered Office**") for the attention of the Company Secretary. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the Company's principal place of business in Hong Kong at Unit 1902, 19/F, Tower 2 Lippo Centre, No. 89 Queensway, Hong Kong (the "**Head Office**") for the attention of the Company Secretary.

2. Procedures for Putting Forward Proposals at General Meetings

Pursuant to the Companies Act, the Shareholders holding at the date of deposit of the requisition not less than one-twentieth of the total voting right at general meetings of the Company or not less than one hundred Shareholders may provide a written requisition to the Company stating the resolution intended to be proceeded at the general meeting. The requisition must be deposited at the Registered Office for the attention of the Company Secretary. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the Head Office for the attention of the Company Secretary.

Shareholders can also refer to the detailed requirements and procedures as set forth in the relevant sections of the Companies Act and the Bye-laws when making any requisitions or proposals for transaction at the general meetings of the Company. For the details of requirement and procedures for convening a general meeting, putting forward the proposals and/or proposing a person for election at a general meeting are available on the Company's website.

SHAREHOLDERS' ENQUIRIES

Shareholders should direct their questions about their shareholdings to the Company's share registrars. The addresses of the Company's share registrars are set out in the section headed "Corporate Information" of this annual report. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also send written enquiries or requests to the Head Office or by fax to (852) 2115 1912 or by email to info@paktakintl.com for the attention of the Company Secretary.

INVESTOR RELATIONS

As always, the Company provides updated information of the Group to all Shareholders when it becomes available and appropriate, through the publication of interim and annual reports, circulars, notices, the Bye-laws or other means in compliance with the legal and regulatory requirements. Such information has been made available on the Company's website at www.paktakintl.com.

The Company acknowledges that general meetings are good communication channel with Shareholders and encourages the Directors and the members of the Board Committees to attend and answer questions raised by Shareholders at the general meetings.

CONSTITUTIONAL DOCUMENT

There were no changes in the constitutional documents during the year ended 31 December 2022.



Independent auditor's report to the members of Pak Tak International Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Pak Tak International Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 43 to 119, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Valuation of investment properties</i>	
Refer to Note 2(h) (significant accounting policies), Note 13 (investment properties) and Note 35(d) (accounting estimates and judgements) to the consolidated financial statements.	
<p>As at 31 December 2022, the Group had investment properties comprising shops and a commercial building situated in the PRC amounting to HKD344,108,000 (2021: shops situated in the PRC amounting to HKD244,181,000).</p> <p>Management's assessment of the fair value of investment properties is based on valuations performed by independent qualified professional property valuers (the "Property Valuers") in accordance with recognised industry standards. These valuations are complex and involve a significant degree of judgement and estimation in respect of selling prices of similar properties, capitalisation rates, market rents and average daily rates.</p> <p>We identified the valuation of investment properties as a key audit matter due to the complexity of the valuations, the key sources of estimate uncertainty and the significant assumptions and judgements associated with determining the fair value.</p>	<p>Our procedures in relation to evaluating the valuation of the investment properties included:</p> <ul style="list-style-type: none"> — Evaluating the competence, capabilities, independence and objectivity of the Property Valuers engaged by the Group; — Obtaining understandings of the valuation process methodologies, performance and available market data of the property market, significant assumptions and techniques adopted by the Property Valuers to assess if they are consistent with industry norms; and — Obtaining the valuation reports and held discussion with the management and the Property Valuers to assess the reasonableness of the significant unobservable inputs and the accuracy of these inputs adopted by the management and the Property Valuers and comparing these inputs with publicly available information of market data.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables	
Refer to Note 2(k) (credit losses and impairment of assets), Note 18 (trade and other receivables) and Note 35(e) (accounting estimates and judgements) to the consolidated financial statements.	
<p>As at 31 December 2022, the Group had gross carrying amount of trade receivables amounting to HKD660,134,000 (2021: HKD633,587,000). The loss allowances for trade receivables amounted to HKD26,097,000 (2021: HKD9,125,000), all of which was attributable to customers located in the PRC.</p> <p>The management of the Group estimates the amount of lifetime expected credit losses (“ECL”) of trade receivables individually or based on provision matrix through grouping of various debtors that have similar loss patterns, after considering the historical loss rates experience, ageing of overdue trade receivables, customers’ repayment history and customer’s financial position. Estimated loss rates are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information.</p> <p>We identified the impairment assessment of trade receivables as a key audit matter due to the involvement of subjective judgement and management estimates in evaluating the ECL of the Group’s trade receivables at the end of the reporting period.</p>	<p>Our procedures in relation to impairment assessment of trade receivables included:</p> <ul style="list-style-type: none"> — Understanding and validating the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on ECL of these receivables; — Testing on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices, sales contracts and document on date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised; — Assessing the reasonableness of management’s loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and — Testing subsequent settlements of the trade receivables and challenging management regarding the reasons for not considering a provision against any unsettled past-due balances.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Acquisition of subsidiaries not under common control	
Refer to Note 2(e) (significant accounting policies) and Note 30 (acquisition of subsidiaries and business combination) to the consolidated financial statements.	
<p>On 1 April 2022, the Group acquired 100% issued shares of Foresight Industrial Group Limited ("Foresight Industrial") from an independent third party at a cash consideration of HKD120,000,000. Foresight Industrial and its subsidiaries ("Foresight Industrial Group") is principally engaged in hotel operations and management, and provision of food and beverage catering services in the People's Republic of China ("PRC"). As at the date of acquisition, the aggregate fair value of the identifiable net assets of the Foresight Industrial Group amounted to HKD116,145,000, and goodwill of HKD3,855,000 was recognised arising from the acquisition.</p> <p>The Group engaged an independent qualified professional valuer (the "Valuer") to perform the purchase price allocation on the fair values of the consideration transferred and the identifiable assets acquired and liabilities assumed in the business combination.</p> <p>We identified the acquisition of subsidiaries not under common control as a key audit matter due to the magnitude of the balances involved and the significant assumptions and judgements associated with the identification of the assets acquired and liabilities assumed.</p>	<p>Our procedures in relation to assessment of respective purchase price allocation included:</p> <ul style="list-style-type: none"> — Evaluating the competence, capabilities, independence and objectivity the Valuer engaged by the Group; — Examining the terms of the sale and purchase agreement; — Assessing the reasonableness and appropriateness of the identification of the assets acquired and liabilities assumed; — Obtaining the valuation reports and assessing the valuation methodologies adopted for the purpose of determining the fair values of the identifiable assets acquired and liabilities assumed; and — Discussing with the management and the Valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of these inputs adopted by the management and the Valuer and comparing these inputs with publicly available information of market data.

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

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon (the "**other information**").

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine are 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 Audit Committee are responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

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 90 of the Bermuda Companies Act 1981, 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 HKSAAs 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 HKSAAs, 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.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement director on the audit resulting in this independent auditor's report is Leung Yun Wa.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 31 March 2023

Leung Yun Wa

Practising Certificate number P08096

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HKD'000	2021 HKD'000
Revenue	3	726,536	2,125,223
Other revenue	4	39,934	10,404
Other net gains	4	1,457	6,043
Fair value (loss)/gain on investment properties	13	(406)	16,421
Direct costs and operating expenses		(689,812)	(2,064,125)
Administrative expenses		(62,684)	(46,263)
Profit from operations		15,025	47,703
Finance costs	5(a)	(31,863)	(47,974)
Loss before taxation	5	(16,838)	(271)
Income tax credit/(expense)	6	2,577	(5,377)
Loss for the year		(14,261)	(5,648)
Attributable to:			
— Equity shareholders of the Company		(14,259)	(5,648)
— Non-controlling interests		(2)	—
		(14,261)	(5,648)
		HK cents	HK cents
Loss per share	9	(0.37)	(0.15)
— Basic and diluted			

The notes on pages 50 to 119 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HKD'000	2021 HKD'000
Loss for the year	(14,261)	(5,648)
Other comprehensive (loss)/income for the year:		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	(43,799)	11,377
Items that will not be reclassified subsequently to profit or loss:		
— Fair value loss of financial assets at fair value through other comprehensive income, net of nil tax	(19,433)	(88,327)
Total comprehensive loss for the year	(77,493)	(82,598)
Attributable to:		
Equity shareholders of the Company	(77,491)	(82,598)
Non-controlling interests	(2)	—
	(77,493)	(82,598)

The notes on pages 50 to 119 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HKD'000	2021 HKD'000
Non-current assets			
Property, plant and equipment	11	87,932	65,744
Right-of-use assets	12	17,440	4,223
Investment properties	13	344,108	244,181
Intangible assets	15	1,660	—
Deferred tax assets	27(a)	6,509	—
Financial assets at fair value through other comprehensive income	16	4,472	133,162
Finance lease receivables	17	—	12,546
		462,121	459,856
Current assets			
Inventories	20	1,892	—
Trade and other receivables	18	759,107	880,213
Finance lease receivables	17	27,650	13,842
Financial assets at fair value through profit or loss	19	434	84,546
Pledged bank deposits	21(a)	38,919	97,960
Cash and cash equivalents	21(a)	37,684	15,442
		865,686	1,092,003
Current liabilities			
Trade and bills payables	22	152,386	310,762
Other payables and accrued charges	23	82,937	24,206
Contract liabilities	24	14,847	11,144
Borrowings	25	415,474	493,502
Lease liabilities	26	2,603	1,614
Tax payable		657	218
		668,904	841,446
Net current assets		196,782	250,557
Total assets less current liabilities		658,903	710,413
Non-current liabilities			
Borrowings	25	32,976	29,587
Lease liabilities	26	19,874	2,928
Deferred tax liabilities	27(a)	37,130	31,482
		89,980	63,997
NET ASSETS		568,923	646,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HKD'000	2021 HKD'000
CAPITAL AND RESERVES			
Share capital	28(c)	78,000	78,000
Reserves		490,923	568,414
Equity attributable to equity shareholders of the Company		568,923	646,414
Non-controlling interests		—	2
TOTAL EQUITY		568,923	646,416

Approved and authorised for issue by the board of directors on 31 March 2023.

Liao Nangang
DIRECTOR

Qian Pu
DIRECTOR

The notes on pages 50 to 119 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company					Sub-total HKD'000	Non- controlling interests HKD'000	Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Fair value reserve HKD'000	Exchange reserve HKD'000	Retained profits HKD'000			
At 1 January 2021	58,000	362,134	(25,816)	20,759	115,710	530,787	2	530,789
Changes in equity for the year ended 31 December 2021:								
Loss for the year	—	—	—	—	(5,648)	(5,648)	—	(5,648)
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	—	—	—	11,377	—	11,377	—	11,377
Fair value loss of financial assets at fair value through other comprehensive income, net of nil tax	—	—	(88,327)	—	—	(88,327)	—	(88,327)
Total comprehensive loss for the year	—	—	(88,327)	11,377	(5,648)	(82,598)	—	(82,598)
Issue of ordinary shares, net of direct transaction costs (Note 28(c))	20,000	178,225	—	—	—	198,225	—	198,225
At 31 December 2021	78,000	540,359	(114,143)	32,136	110,062	646,414	2	646,416
At 1 January 2022	78,000	540,359	(114,143)	32,136	110,062	646,414	2	646,416
Changes in equity for the year ended 31 December 2022:								
Loss for the year	—	—	—	—	(14,259)	(14,259)	(2)	(14,261)
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	—	—	—	(43,799)	—	(43,799)	—	(43,799)
Fair value loss of financial assets at fair value through other comprehensive income, net of nil tax	—	—	(19,433)	—	—	(19,433)	—	(19,433)
Total comprehensive loss for the year	—	—	(19,433)	(43,799)	(14,259)	(77,491)	(2)	(77,493)
Transfer of loss on disposal of equity instruments at fair value through other comprehensive income to retained profits (Note 16)	—	—	60,682	—	(60,682)	—	—	—
At 31 December 2022	78,000	540,359	(72,894)	(11,663)	35,121	568,923	—	568,923

The notes on pages 50 to 119 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HKD'000	2021 HKD'000
Operating activities			
Loss before taxation		(16,838)	(271)
Adjustments for:			
— Interest income	4	(3,188)	(2,369)
— Dividend income	4	(35,803)	(8,000)
— Fair value gain of financial assets at fair value through profit or loss	4	(814)	(5,633)
— Fair value loss/(gain) on investment properties	13	406	(16,421)
— Loss/(gain) on disposal of property, plant and equipment	4	4	(3)
— Gain on early termination of leases	4	(647)	(195)
— Depreciation on property, plant and equipment	5(c)	11,605	2,056
— Depreciation on right-of-use assets	5(c)	4,594	2,057
— Derecognition of goodwill	5(c)	3,526	—
— Amortisation on intangible assets	5(c)	362	—
— Finance costs	5(a)	31,863	47,974
— Loss allowance for/(reversal of) expected credit loss allowance on finance lease receivables	5(c)	954	(317)
— Loss allowance for expected credit loss on trade receivables	5(c)	18,259	6,813
— Loss allowance for expected credit loss on other receivables	5(c)	297	511
— Exchange realignment		4,545	(8,573)
		19,125	17,629
Operating profit before changes in working capital			
Decrease in inventories		1,207	—
Decrease/(increase) in trade and other receivables		108,896	(46,045)
(Increase)/decrease in finance lease receivables		(4,401)	20,426
Decrease in loan receivables		—	40,526
Increase in held for trading investments		—	(828)
Decrease in trade and bills payables		(156,286)	(235,654)
Decrease in other payables and accrued charges		(24,030)	(10,971)
Decrease in contract liabilities		(628)	(20,107)
		(56,117)	(235,024)
Cash used in operations			
Tax refund/(paid):			
— Hong Kong tax refund		108	—
— People's Republic of China ("PRC") tax paid		(312)	(8,292)
Interest received		2,618	2,369
		(53,703)	(240,947)
Net cash used in operating activities			

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HKD'000	2021 HKD'000
Investing activities			
Purchase of property, plant and equipment		(2,230)	(25)
Purchase of intangible assets		(797)	—
Purchase of financial assets at fair value through profit or loss		(12,607)	—
Proceeds from disposal of property, plant and equipment		—	10
Payment for structured deposits		—	(69,913)
Payment for wealth management products		—	(10,608)
Proceeds from disposal of structured deposits		70,139	280,861
Proceeds from disposal of wealth management products		10,276	—
Proceeds from disposal of listed equity securities included in financial assets at fair value through profit or loss		12,960	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		91,000	—
Acquisition of subsidiaries, net of cash acquired	30	(85,466)	—
Withdrawal/(placement) of pledged bank deposits		52,981	(50,284)
Dividend received from equity investments		35,060	8,000
Net cash generated from investing activities		171,316	158,041
Financing activities			
Proceeds from issue of ordinary shares	28(c)	—	198,225
Capital element of lease rental paid	21(b)	(513)	(1,713)
Interest element of lease rental paid	21(b)	(107)	(322)
Proceeds from new loans	21(b)	448,344	474,927
Repayment of loans	21(b)	(506,412)	(436,091)
Repayment of bond	21(b)	—	(190,000)
Interest paid	21(b)	(34,712)	(66,986)
Net cash used in financing activities		(93,400)	(21,960)
Net increase/(decrease) in cash and cash equivalents		24,213	(104,866)
Cash and cash equivalents at beginning of the year		15,442	118,630
Effect of foreign exchange rate changes		(1,971)	1,678
Cash and cash equivalents at end of the year	21(a)	37,684	15,442

The notes on pages 50 to 119 form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

Pak Tak International Limited (“**the Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong was Unit 1902, 19th Floor, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the supply chain business, leasing business, property investment, money lending business, securities investment, and hotel management and catering service.

The consolidated financial statements of the Company and its subsidiaries (together as the “**Group**”) are presented in Hong Kong dollars (“**HKD**”) which is same as the functional currency of the Company. The consolidated financial statements are presented in the nearest thousand (HKD’000) unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

A summary of significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the consolidated financial statements

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

- investment properties (see Note 2(h)); and
- investments in equity securities and other investments (see Note 2(g)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 35.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments or annual improvements to HKFRSs that are first effective for the current accounting period of the Group as follows:

- | | |
|--|--|
| • Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| • Amendments to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| • Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| • Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| • Annual Improvements to HKFRS Standards 2018-2020 | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples Accompanying HKFRS 16, and HKAS 41 |

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 38).

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) **Subsidiaries and non-controlling interests** *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see Note 2(k)(ii)).

(e) **Business combinations and goodwill**

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed in business combinations must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Business combinations and goodwill *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with HKAS 12 Income Taxes; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Computer Software 5 to 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investments in equity securities and other investments

The Group's policies for investments in equity securities, other than investments in subsidiaries, and other investments, are as follows:

Investment in equity securities and other investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(g). These investments are subsequently accounted for as follows, depending on their classification.

(i) *Investments other than equity investments*

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(iii)).
- fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flow and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other revenue in accordance with the policy set out in Note 2(u)(vi).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(h) Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(u)(v).

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

Construction in progress represents property, plant and equipment under construction and is stated at cost less impairment losses (see Note 2(k)(ii)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use was completed.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is calculated to write off the cost of items of property, plant and equipment (except for construction in progress), less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	20% or over the remaining term of the relevant leases, whichever is shorter
Property	Over the remaining estimated useful life
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 25%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets

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

(a) *Where the Group is the lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

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

(b) *Where the Group is the lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(b) *Where the Group is the lessee (Continued)*

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at fair value. Depreciation is calculated to write off the cost of right-of-use assets using straight-line method over the lease term or life of the assets, where it was likely the Group would obtain ownership of the assets, as set out in Note 2(i), whichever is shorter.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases.

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

(k) Credit losses and impairment of assets

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

The Group recognised a loss allowance for expected credit losses ("**ECLs**") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables); and
- finance lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls. (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- finance lease receivables: discount rate used in the measurement of the lease receivable.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group always recognises lifetime ECL for trade receivables and finance lease receivables. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

Where ECL is measured on a collective basis, the debtors are grouped on the basis of sharing similar loss patterns, after considering the historical loss rates experience, ageing of overdue debtors, customers' repayment history, customer's financial position and forward-looking information that is reasonable and supportable available without undue costs or effort. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

For all other financial instruments, the Group recognised a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis 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.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any changes in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to the carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, lease of back office) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash generating units if otherwise.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversal.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings and bond are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

(o) Trade and other payables

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

(p) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(k)(i).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

(i) *Employee benefits entitlements*

Salaries, bonuses, paid annual leave and the cost of other benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Pension obligations*

The Group operates a mandatory provident fund scheme in Hong Kong and defined contribution government pension schemes in the PRC.

Contributions to mandatory provident fund, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as when incurred.

The employees in the PRC are members of the retirement benefit scheme organised by the government in the PRC. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) **Income tax** *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Provisions and contingent liabilities

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(ii) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

(u) Revenue and other revenue recognition

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

The group is the principal for its revenue transactions and recognises revenue on a gross basis, including sales of goods from supply chain business that are sourced externally. In determining whether the group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue and other revenue recognition *(Continued)*

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

(i) *Sales of goods*

Revenue from sales of goods is recognised when the control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) *Hotel management and catering services*

Revenue from food and beverage sales is recognised at the point in time when the services are rendered. Hotel room service income from room rental is recognised over time during the period of stay for the hotel guests. Revenue in respect of hotel management services is recognised over time during the period when management services are delivered to the hotels.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(iv) *Finance lease income*

The income under finance lease is recognised in the consolidated statement of profit or loss using the effective interest rate implicit in the lease over the terms of the lease. Contingent rent is recognised as income in the period in which it is earned.

(v) *Rental income from operating leases*

Rental income is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(vi) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) *Handling fee income*

Handling fee income are recognised when services are provided.

(viii) *Government grants*

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HKD at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into HKD at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) 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 employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(y) Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. REVENUE

Revenue represents net sale value of goods supplied to customers, service income from different segments, interest income and rental income, net of discounts and related value added tax or other taxes, and is analysed as follows:

	2022 HKD'000	2021 HKD'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines (Note)		
— Sales of goods from supply chain business	626,693	2,103,228
— Sales of food and beverage products from hotel management and catering services	69,256	—
— Hotel room service income	5,121	—
— Management fee income from hotel management services	12,469	—
— Handling fee income from supply chain financing arrangements	719	2,080
	714,258	2,105,308
Revenue from other sources		
Interest income from supply chain financing arrangements	4,804	9,521
Finance lease income	2,254	3,304
Gross rentals from investment properties		
— Lease payment that are fixed	5,220	4,250
Loan interest income	—	2,840
	12,278	19,915
	726,536	2,125,223

Note:

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for products or services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for products or services that had an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. OTHER REVENUE AND OTHER NET GAINS

	2022 HKD'000	2021 HKD'000
Other revenue		
Dividend income from equity investments	35,803	8,000
Interest income	3,188	2,369
Government grants (Note)	168	—
Sundry income	775	35
	39,934	10,404
Other net gains		
(Loss)/gain on disposal of property, plant and equipment	(4)	3
Fair value gain of financial assets at fair value through profit or loss	814	5,633
Gain on early termination of leases (Note 12)	647	195
Others	—	212
	1,457	6,043

Note:

In 2022, an indirect wholly-owned subsidiary of the Company successfully applied for funding support from the Employment Support Scheme under the COVID-19 Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, it is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the submitted and approved list of employees.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging/(crediting):

	2022 HKD'000	2021 HKD'000
(a) Finance costs:		
Interest on bonds	—	3,176
Interest on borrowings	30,388	44,403
Interest on lease liabilities	1,475	322
Amortised cost of handling fee for issuance of bonds	—	73
	<u>31,863</u>	<u>47,974</u>
(b) Staff costs (including directors' emoluments in Note 7):		
Salaries, wages, bonus and allowances	45,518	17,233
Contributions to defined contribution retirement plans (Note)	5,391	1,045
Staff welfare and benefits	4,313	648
	<u>55,222</u>	<u>18,926</u>

Note:

Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the group to reduce the existing level of contribution.

	2022 HKD'000	2021 HKD'000
(c) Other items:		
Amortisation on intangible assets	362	—
Auditor's remuneration		
— audit services	940	840
— other services	569	275
Cost of inventories sold from supply chain business	594,619	2,063,892
Cost of inventories consumed from hotel management and catering services	33,007	—
Depreciation on property, plant and equipment	11,605	2,056
Depreciation on right-of-use assets	4,594	2,057
Derecognition of goodwill	3,526	—
Expenses relating to short-term leases	5,487	—
Provision for/(reversal of) ECL allowance on finance lease receivables	954	(317)
Provision for ECL allowance on trade receivables	18,259	6,813
Provision for ECL allowance on other receivables	297	511
	<u>297</u>	<u>511</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 HKD'000	2021 HKD'000
Current tax — the PRC Enterprise Income Tax		
— Current income tax	781	799
— (Over)/under-provision in respect of prior years, net	(1,584)	289
	(803)	1,088
Deferred tax (Note 27(a))		
— the PRC	(1,774)	4,289
Income tax (credit)/expense	(2,577)	5,377

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated or domiciled in Hong Kong have no assessable profits or sustained tax losses for taxation purpose for both years.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

(b) Reconciliation between the income tax (credit)/expense and accounting loss at the applicable tax rates:

	2022 HKD'000	2021 HKD'000
Loss before taxation	(16,838)	(271)
Notional tax on results before taxation, calculated at the rates applicable to profit in jurisdictions concerned	(6,220)	702
Tax effect of expenses not deductible for tax purposes	1,391	3,616
Tax effect of income not taxable	(6,184)	(1,320)
Tax effect of tax losses not recognised	3,338	2,524
Tax effect of utilisation of tax losses previously not recognised	(103)	—
(Over)/under-provision in respect of prior years, net	(1,584)	289
Tax effect of temporary differences not recognised	6,785	(434)
Income tax (credit)/expense	(2,577)	5,377

7. DIRECTORS' EMOLUMENTS

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

	Directors' fees		Salaries, allowances and benefits in kind		Discretionary bonus		Retirement scheme contributions		Total	
	2022 HKD'000	2021 HKD'000	2022 HKD'000	2021 HKD'000	2022 HKD'000	2021 HKD'000	2022 HKD'000	2021 HKD'000	2022 HKD'000	2021 HKD'000
Executive directors										
Liao Nangang* (<i>chairman</i>) (appointed on 1 April 2021)	—	—	—	—	—	—	—	—	—	—
Qian Pu# (<i>chief executive officer</i>)	—	—	1,553	1,650	116	360	128	113	1,797	2,123
Wang Jian#	—	—	260	308	—	—	13	14	273	322
Ning Jie	—	—	390	390	—	—	18	18	408	408
Non-executive directors										
Shin Yick Fabian (resigned on 3 February 2023)	—	—	390	390	—	—	18	18	408	408
Liu Xiaowei (appointed on 2 July 2021)	—	—	390	194	—	—	18	4	408	198
Law Fei Shing (resigned on 1 June 2021)	—	—	—	335	—	—	—	8	—	343
Independent non-executive directors										
Zheng Suijun	240	264	—	—	—	—	—	—	240	264
Chan Kin Sang	240	264	—	—	—	—	—	—	240	264
Chan Ngai Sang, Kenny (resigned on 16 December 2022)	235	264	—	—	—	—	—	—	235	264
Chan Ching Yi, Yvonne (appointed on 16 December 2022)	5	—	—	—	—	—	—	—	5	—
	720	792	2,983	3,267	116	360	195	175	4,014	4,594

* Mr. Liao Nangang was appointed as chairman of the board of directors of the Company on the same date of appointment.

Mr. Wang Jian ceased to act as the chief executive officer (the "CEO") of the Company with effect from 1 April 2021. Upon Mr. Wang Jian's cessation to act as the CEO, Ms. Qian Pu has been appointed as the CEO of the Company on the same date.

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2021: one director), details of whose remuneration are set out in Note 7. Details of the remuneration of the five highest paid employees of the Company are as follows:

	2022 HKD'000	2021 HKD'000
Salaries and other emoluments	4,210	3,729
Discretionary bonus	116	909
Retirement scheme contributions	340	176
	4,666	4,814

The number of the five highest paid employees where remuneration fell within the following bands is as follows:

	No. of individuals	
	2022	2021
Nil — HKD1,000,000	4	4
HKD1,500,001 — HKD2,000,000	1	—
HKD2,000,001 — HKD2,500,000	—	1
	5	5

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company by weighted average number of ordinary shares in issue during the year.

	2022 HKD'000	2021 HKD'000
Loss		
Loss attributable to equity shareholders of the Company	(14,259)	(5,648)
Number of shares	'000	'000
Weighted average number of ordinary shares in issue	3,900,000	3,675,342

Basic loss per share is the same as diluted loss per share as the Company has no dilutive potential shares.

10. SEGMENT REPORTING

The chief operating decision-maker (“**CODM**”) has been identified as the executive directors of the Company. The CODM reviews the Group’s internal reporting for purpose of allocating resources to, and assessing the performance of, the Group’s various businesses.

The Group is organised into business units based on their products and services and has six reportable operating segments under HKFRS 8, Operating Segments which were as follows:

- (i) Supply chain business;
- (ii) Leasing business;
- (iii) Property investment;
- (iv) Money lending business;
- (v) Securities investment; and
- (vi) Hotel management and catering services.

The Group’s operations are monitored with strategic decisions which are made on the basis of operating results, consolidated assets and liabilities as reflected in the consolidated financial statements.

The CODM assesses the performance of the operating segments based on a measure of reportable segment results. This measurement basis excludes certain other net gains, finance costs, other revenue and unallocated expenses.

Segment assets mainly exclude deferred tax assets and certain other assets that are managed on a central basis. Segment liabilities mainly exclude deferred tax liabilities and certain other liabilities that are managed on a central basis.

(a) Operating segment

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

Year ended 31 December 2022	Supply chain business HKD’000	Leasing business HKD’000	Property investment HKD’000	Money lending business HKD’000	Securities investment HKD’000	Hotel management and catering services HKD’000	Total HKD’000
Disaggregated by timing of revenue recognition							
Point in time	627,412	—	—	—	—	69,256	696,668
Over time	4,804	2,254	4,562	—	—	18,248	29,868
Revenue from external customers	<u>632,216</u>	<u>2,254</u>	<u>4,562</u>	<u>—</u>	<u>—</u>	<u>87,504</u>	<u>726,536</u>
Segment profit/(loss)	<u>8,784</u>	<u>(1,146)</u>	<u>3,274</u>	<u>(5,450)</u>	<u>(26)</u>	<u>(23,079)</u>	<u>(17,643)</u>
Reconciliation:							
Interest income							3,188
Corporate and other unallocated expenses							(7,266)
Finance costs							(31,863)
Other revenue							36,746
Loss before taxation							(16,838)
Income tax credit							2,577
Loss for the year							<u>(14,261)</u>

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For the year ended 31 December 2022

10. SEGMENT REPORTING (Continued)

(a) Operating segment (Continued)

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

Year ended 31 December 2021	Supply chain business HKD'000	Leasing business HKD'000	Property investment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Hotel management and catering services HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition							
Point in time	2,105,308	161	—	—	—	—	2,105,469
Over time	9,521	3,143	4,250	2,840	—	—	19,754
Revenue from external customers	2,114,829	3,304	4,250	2,840	—	—	2,125,223
Segment profit/(loss)	27,522	(682)	20,221	(3,205)	371	—	44,227
Reconciliation:							
Interest income							2,369
Unallocated other net gains							201
Corporate and other unallocated expenses							(7,129)
Finance costs							(47,974)
Other revenue							8,035
Loss before taxation							(271)
Income tax expense							(5,377)
Loss for the year							(5,648)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. SEGMENT REPORTING (Continued)

(a) Operating segment (Continued)

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 31 December 2022	Supply chain business HKD'000	Leasing business HKD'000	Property investment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Hotel management and catering services HKD'000	Total HKD'000
Segment assets	<u>746,028</u>	<u>27,808</u>	<u>232,609</u>	<u>4,120</u>	<u>4,632</u>	<u>221,763</u>	<u>1,236,960</u>
Reconciliation:							
Deferred tax assets							6,509
Corporate and other unallocated assets							<u>84,338</u>
Total assets							<u>1,327,807</u>
Segment liabilities	<u>558,673</u>	<u>7,357</u>	<u>32,917</u>	<u>966</u>	<u>—</u>	<u>120,878</u>	<u>720,791</u>
Reconciliation:							
Deferred tax liabilities							37,130
Corporate and other unallocated liabilities							<u>963</u>
Total liabilities							<u>758,884</u>
At 31 December 2021	Supply chain business HKD'000	Leasing business HKD'000	Property investment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Hotel management and catering services HKD'000	Total HKD'000
Segment assets	<u>1,061,679</u>	<u>28,705</u>	<u>248,040</u>	<u>12,573</u>	<u>133,546</u>	<u>—</u>	<u>1,484,543</u>
Reconciliation:							
Corporate and other unallocated assets							67,316
Total assets							<u>1,551,859</u>
Segment liabilities	<u>819,776</u>	<u>10,228</u>	<u>35,766</u>	<u>976</u>	<u>—</u>	<u>—</u>	<u>866,746</u>
Reconciliation:							
Deferred tax liabilities							31,482
Corporate and other unallocated liabilities							<u>7,215</u>
Total liabilities							<u>905,443</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. SEGMENT REPORTING (Continued)

(a) Operating segment (Continued)

The following is an analysis of the Group's other segment information by reportable segments:

At 31 December 2022	Supply chain business HKD'000	Leasing business HKD'000	Money lending business HKD'000	Hotel management and catering service HKD'000	Total HKD'000
Other information					
Additions to non-current segment assets	195	36	—	8,063	8,294
Non-current segment assets acquired on acquisition of subsidiaries	—	—	—	219,926	219,926
Depreciation and amortisation	513	176	5	13,991	14,685
Unallocated depreciation					1,876
					16,561
Derecognition of goodwill	—	—	—	3,526	3,526
Provision for ECL allowances	15,725	954	—	2,831	19,510
At 31 December 2021	Supply chain business HKD'000	Leasing business HKD'000	Money lending business HKD'000	Hotel management and catering service HKD'000	Total HKD'000
Other information					
Additions to non-current segment assets	3,652	1,006	—	—	4,658
Depreciation	1,433	699	11	—	2,143
Unallocated depreciation					1,970
					4,113
Provision for/(reversal of) ECL allowances	7,324	(317)	—	—	7,007

10. SEGMENT REPORTING (Continued)

(b) Geographical information

The Group's revenue from external customers by geographical market is as follows:

	2022 HKD'000	2021 HKD'000
The PRC	726,536	2,122,383
Hong Kong	—	2,840
	<u>726,536</u>	<u>2,125,223</u>

The Group's information about its non-current assets (excluding financial assets at fair value through other comprehensive income, finance lease receivables and deferred tax assets) by geographic location is as follows:

	2022 HKD'000	2021 HKD'000
The PRC	387,369	248,495
Hong Kong	63,771	65,653
	<u>451,140</u>	<u>314,148</u>

(c) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the group's revenue, is set out below:

	2022 HKD'000	2021 HKD'000
Supply chain business		
Customer A	389,752	852,670
Customer B	94,719	344,088
	<u>484,471</u>	<u>1,196,758</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HKD'000	Leasehold improvements HKD'000	Property held for own-use HKD'000	Furniture, fixtures and equipment HKD'000	Motor vehicles HKD'000	Total HKD'000
Cost						
At 1 January 2021	—	718	71,332	637	571	73,258
Exchange realignment	—	—	—	12	—	12
Additions	—	—	—	25	—	25
Disposals/written-offs	—	(578)	—	(21)	—	(599)
At 31 December 2021 and 1 January 2022	—	140	71,332	653	571	72,696
Exchange realignment	(100)	(1,961)	(8,507)	(603)	(26)	(11,197)
Additions	—	1,789	—	441	—	2,230
Acquired on acquisition of subsidiaries (Note 30)	1,771	22,123	99,740	6,652	220	130,506
Disposals/written-offs	—	—	—	(80)	—	(80)
Transfer to leasehold improvements	(1,671)	1,671	—	—	—	—
Transfer to investment properties (Note 13)	—	—	(91,233)	—	—	(91,233)
At 31 December 2022	—	23,762	71,332	7,063	765	102,922
Accumulated depreciation						
At 1 January 2021	—	627	3,939	478	435	5,479
Exchange realignment	—	—	—	9	—	9
Depreciation provided for the year	—	28	1,829	86	113	2,056
Disposals/written-offs	—	(578)	—	(14)	—	(592)
At 31 December 2021 and 1 January 2022	—	77	5,768	559	548	6,952
Exchange realignment	—	(69)	(44)	(37)	(3)	(153)
Depreciation provided for the year	—	5,408	5,211	846	140	11,605
Disposals/written-offs	—	—	—	(76)	—	(76)
Elimination on transfer to investment properties (Note 13)	—	—	(3,338)	—	—	(3,338)
At 31 December 2022	—	5,416	7,597	1,292	685	14,990
Net carrying amount						
At 31 December 2022	—	18,346	63,735	5,771	80	87,932
At 31 December 2021	—	63	65,564	94	23	65,744

As at 31 December 2022 and 2021, the property held for own-use was located in Hong Kong on a long-term lease.

12. RIGHT-OF-USE ASSETS

	Leased properties
	HKD'000
Cost	
At 1 January 2021	6,270
Additions (Note(a))	4,633
Derecognition (Note (c))	(6,270)
Exchange realignment	69
	<hr/>
At 31 December 2021 and 1 January 2022	4,702
Acquired on acquisition of subsidiaries (Note 30)	53,435
Additions (Note (a))	5,267
Modifications of lease payments	(31,383)
Derecognition (Note (c))	(6,403)
Exchange realignment	(4,398)
	<hr/>
At 31 December 2022	<hr/> 21,220 <hr/>
Accumulated depreciation	
At 1 January 2021	1,916
Charge for the year	2,057
Elimination on derecognition (Note (c))	(3,501)
Exchange realignment	7
	<hr/>
At 31 December 2021 and 1 January 2022	479
Charge for the year	4,594
Elimination on derecognition (Note (c))	(1,212)
Exchange realignment	(81)
	<hr/>
At 31 December 2022	<hr/> 3,780 <hr/>
Net carrying amount	
At 31 December 2022	<hr/> <hr/> 17,440 <hr/>
At 31 December 2021	<hr/> <hr/> 4,223 <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. RIGHT-OF-USE ASSETS (Continued)

The analysis of items in relation to leases is as follows:

	2022 HKD'000	2021 HKD'000
Depreciation on right-of-use assets (Note 5(c))	4,594	2,057
Interest on lease liabilities (Note 5(a))	1,475	322
Total cash outflow for leases		
— Within operating cash flows (Note 5(c))	5,487	—
— Within financing cash flows	620	2,035
Gain on early termination of leases (Note 4)	(647)	(195)

Note:

- (a) During the year ended 31 December 2022, the amount included right-of-use assets resulting from new leases entered for its PRC restaurants (2021: new leases entered for its PRC offices).
- (b) The leases of offices and restaurants contain minimum annual lease payment terms that are fixed. These payment terms are common in the PRC where the Group operates.
- (c) During the year ended 31 December 2022, certain leases for offices occupied by the Group in the PRC for which the expiry is originally in 2024 and a lease for restaurant occupied by the Group in the PRC for which the expiry is originally in 2031 (2021: certain leases for offices occupied by the Group in the PRC for which the expiry is originally in 2023) were agreed to be early terminated by the Group and the relevant landlords. Accordingly, the recognised right-of-use assets and lease liabilities with carrying amounts at the termination date of HKD5,191,000 and HKD5,838,000 respectively (2021: HKD2,769,000 and HKD2,964,000 respectively) were derecognised, and the net amount of HKD647,000 (2021: HKD195,000) was recognised in profit or loss as "other net gains" during the year (see Note 4).
- (d) For the year ended 31 December 2022, the Group has obtained the right to use properties as its offices, restaurants and a plant through tenancy agreements, the leases typically run for a period of 1 to 10 years (2021: the leases as offices typically run for a period of 3 years).

13. INVESTMENT PROPERTIES

	2022 HKD'000	2021 HKD'000
At the beginning of the year	244,181	221,443
Acquired on acquisition of subsidiaries (Note 30)	34,639	—
Transfer from property, plant and equipment (Note 11)	87,895	—
Exchange realignment	(22,201)	6,317
Fair value (loss)/gain	(406)	16,421
At the end of the year	344,108	244,181

The investment properties are situated in the PRC and are held under medium-term leases. The Group leases out shops and a commercial building, which mainly comprises shops and hotel rooms (2021: shops), situated at two different locations in the PRC under operating leases.

At 31 December 2022, certain (2021: all) investment properties were pledged to bank for loans granted to the Group (see Notes 25(a) and 33).

(a) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair values of the shops and the commercial building (2021: shops) at the end of the reporting period have been arrived at on the basis of valuation performed by 深圳市國正信資產評估土地房地產估價有限公司 and International Valuation Limited respectively, independent qualified professional property valuers ("**Property Valuers**") not connected with the Group, with recent experience in the location and category of property being valued. The management has discussion with the Property Valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

The fair value of the shops is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a discount specific to the quality and location of the properties compared to the recent sales, and are therefore grouped into Level 3 of fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. INVESTMENT PROPERTIES *(Continued)*

(a) Fair value measurement of the Group's investment properties *(Continued)*

The commercial building was acquired through acquisition of subsidiaries on 1 April 2022 (see Note 30). At the acquisition date, a portion of the building was classified as an investment property for it being leased out to earn rentals, while the rest of the building was classified as property held for own-use for it being used to run a hotel business. At 31 December 2022, the Group leased the entire commercial building to an independent third party with an initial term of 8 years and therefore the entire commercial building was transferred to and classified as an investment property. Since then the Group ceased to provide hotel room services.

The income approach estimates the fair value of the building on an open market basis by capitalising rental income having regard to the current net passing rental income from existing tenancy and potential future reversionary income at the market level. The term value involves the capitalisation of the current net passing rental income over the existing lease term on a fully leased basis. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised by adopting appropriate occupancy rates. In this approach, the independent qualified professional valuer has considered the term yield and reversionary yield. The term yield is used for capitalisation of the current net passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income. The fair value of the commercial building therefore grouped into Level 3 of fair value measurement.

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 for both reporting periods. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2022 HKD'000	2021 HKD'000
Shops		
At the beginning of the year	244,181	221,443
Exchange realignment	(19,246)	6,317
Fair value gain	723	16,421
At the end of the year	225,658	244,181
	2022 HKD'000	2021 HKD'000
A commercial building		
At the beginning of the year	—	—
Acquired on acquisition of subsidiaries (Note 30)	34,639	—
Transfer from property, plant and equipment (Note 11)	87,895	—
Exchange realignment	(2,955)	—
Fair value loss	(1,129)	—
At the end of the year	118,450	—

13. INVESTMENT PROPERTIES *(Continued)*
(a) Fair value measurement of the Group's investment properties *(Continued)*

Information about Level 3 fair value measurements

Description of investment properties	Valuation technique	Significant unobservable inputs	Range	Sensitivity
Shops	Direct comparison approach	Selling price of similar properties in the nearest locality	RMB11,500/m ² to RMB13,500/m ² (2021: RMB11,100/m ² to RMB13,800/m ²)	The higher the selling price of similar properties in the nearest locality used, the higher the fair value
		Adjustment to price per square meter in relation to quality of properties (e.g. location, size, level and condition with reference to comparables)	-5% to 5% (2021: -5% to 5%)	The higher the quality of properties with reference to the comparables, the higher the fair value
A commercial building	Income capitalisation approach	i) Term yield	5% (2021: N/A)	The higher the term yield, the lower the fair value
		ii) Net passing rental income	RMB2.8M to RMB4.1M per annum (2021: N/A)	The higher the net passing rental income, the higher the fair value
		iii) Reversionary yield	6% to 9% (2021: N/A)	The higher the reversionary yield, the lower the fair value
		iv) Reversionary market rental income (for shops)	RMB60/month/m ² to RMB120/month/m ² (2021: N/A)	The higher the reversionary market rental income, the higher the fair value
		v) Reversionary average daily rates (for hotel rooms)	RMB453 to RMB591 per room (2021: N/A)	The higher the reversionary average daily rate, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. INVESTMENT PROPERTIES (Continued)

(b) Assets leased out under operating leases

The leases typically run for an initial period of 1 to 8 years (2021: 5 years), with an option to renew the lease after that date at which all terms are renegotiated. None of the leases includes variable lease payments.

Total future minimum lease payments receivable under operating leases is as follows:

	2022 HKD'000	2021 HKD'000
Within 1 year	6,212	4,188
After 1 year but within 2 years	7,143	—
After 2 years but within 3 years	6,266	—
After 3 years but within 4 years	4,738	—
After 4 years but within 5 years	4,738	—
After 5 years	15,174	—
	44,271	4,188

14. GOODWILL

	HKD'000
Cost	
At 1 January 2021, 31 December 2021 and 1 January 2022	—
Arising on acquisition of subsidiaries (Note 30)	3,855
Exchange realignment	(329)
Derecognition	(3,526)
At 31 December 2022	—
Accumulated impairment	
At 1 January 2021, 31 December 2021 and 31 December 2022	—
Net carrying amount	
At 31 December 2022	—
At 31 December 2021	—

Goodwill arising on acquisition of subsidiaries is allocated to the Group's hotel operation. As disclosed in Note 13(a), the Group ceased to provide hotel room services before the end of the reporting period. The directors of the Company have consequently determined derecognition of the amount of goodwill in full and included in "administrative expenses" in the consolidated statement of profit or loss.

15. INTANGIBLE ASSETS

	Computer software HKD'000
Cost	
At 1 January 2021, 31 December 2021 and 1 January 2022	—
Acquired on acquisition of subsidiaries (Note 30)	1,346
Additions	797
Disposals/written-offs	(35)
Exchange alignment	(125)
	<hr/>
At 31 December 2022	1,983
	<hr/>
Accumulated amortisation	
At 1 January 2021, 31 December 2021 and 1 January 2022	—
Amortisation provided for the year	362
Disposals/written-offs	(35)
Exchange alignment	(4)
	<hr/>
At 31 December 2022	323
	<hr/>
Net carrying amount	
At 31 December 2022	1,660
	<hr/> <hr/>
At 31 December 2021	—
	<hr/> <hr/>

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HKD'000	2021 HKD'000
Financial assets at fair value through other comprehensive income		
— Listed equity securities in Hong Kong	4,472	23,162
— Unlisted equity securities in Hong Kong	—	110,000
	<u>4,472</u>	<u>133,162</u>

At 31 December 2021, certain listed equity securities were pledged to an independent third party for an other borrowing granted to the Group (see Notes 25(b) and 33). During the year ended 31 December 2022, the pledge terms were released upon the repayment of the other borrowing.

At 31 December 2021, the unlisted equity securities are 13,921,278 ordinary shares held in Golden Affluent Limited ("**Golden Affluent**"), representing 14.73% of interest in Golden Affluent. Golden Affluent is incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding and its subsidiaries are engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC. The Group designated its investment in Golden Affluent at FVOCI (non-recycling) as the investment is held for strategic purposes.

During the year ended 31 December 2022, the Group disposed of all equity securities of Golden Affluent at a cash consideration of HKD110,000,000, the related balance in the fair value reserve in amount of approximately HKD60,682,000 was reclassified to retained profits. In addition, dividend income of approximately HKD35,060,000 was recognised from these equity securities of Golden Affluent during the year ended 31 December 2022.

Changes in fair value of those equity securities are recognised in other comprehensive income and accumulated within the financial assets at fair value reserve within equity. The Group transfers amounts from this reserve to retained profits when the relevant equity securities are derecognised.

Information regarding the methods and assumptions used in determining the fair value of the financial assets is stated in Note 31(g)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. FINANCE LEASE RECEIVABLES

	2022 HKD'000	2021 HKD'000
Non-current finance lease receivables	—	12,763
Current finance lease receivables	28,998	14,084
	28,998	26,847
Less: Expected credit loss allowance		
— Non-current portion	—	(217)
— Current portion	(1,348)	(242)
	(1,348)	(459)
	27,650	26,388

The total minimum lease payments receivable under finance leases and their present values are as follows:

	Minimum lease payments receivable		Present value of minimum lease payments	
	2022 HKD'000	2021 HKD'000	2022 HKD'000	2021 HKD'000
Within one year or on demand	28,998	14,565	28,998	14,084
After 1 year but within 2 years	—	9,017	—	8,969
After 2 years but within 3 years	—	3,683	—	3,675
After 3 years but within 4 years	—	122	—	119
	28,998	27,387	28,998	26,847
Less: Unearned interest income	—	(540)	—	—
Present value of minimum lease payments receivable	28,998	26,847	28,998	26,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. FINANCE LEASE RECEIVABLES (Continued)

Note:

- (a) Certain motor vehicles and machineries are leased out to one lessee under finance leases with lease terms of 24 to 48 months (2021: 24 to 48 months). During the year ended 31 December 2021 and up to the date of revised lease contract as stated in Note 17(b), the interest rate inherent in the leases is fixed for the entire lease term and was ranging from 6.2% to 12% per annum.

Finance lease receivables are secured over the motor vehicles and machineries leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

- (b) During the year ended 31 December 2022, the Group entered into a finance lease receivable transfer arrangement (the "Arrangement") with the lessee. Under the Arrangement, the amount due from the lessee (representing all past due and future lease payments) of RMB25,122,000 (equivalent to HKD28,341,000) was transferred to an independent third party which the new repayment terms were revised as repayable on demand on a full recourse basis and the balance bears interest at the PRC Loan Prime Rate plus certain agreed premium rates until settlement. As the lessee has not transferred the significant obligations relating to these finance lease receivables, the full carrying amount of the receivables continues to be recognised as "finance lease receivables" in the Group's consolidated statement of financial position. The original carrying value of the finance lease receivables and interest in full under the Arrangement have not been settled by the end of the reporting period.

Details of the Group's credit policy are set out in Note 31(a).

18. TRADE AND OTHER RECEIVABLES

	2022 HKD'000	2021 HKD'000
Trade receivables, net of ECL allowance	634,037	624,462
Other receivables, net of ECL allowance	94,913	109,453
	728,950	733,915
Deposits and prepayments	30,157	146,298
	759,107	880,213

18. TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

The ageing analysis of trade receivables (net of ECL allowances) as at the end of the reporting period, based on invoice date, is as follows:

	2022 HKD'000	2021 HKD'000
Within 1 month	3,493	271,387
1 to 3 months	4,716	188,058
3 to 12 months	557,033	160,444
Over 12 months	68,795	4,573
	634,037	624,462

Details of the Group's credit policy are set out in Note 31(a).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HKD'000	2021 HKD'000
Held for trading investments stated at fair value		
— Listed equity securities in Hong Kong	58	82
— Listed equity securities in the PRC	376	841
	434	923
Other investments stated at fair value		
— Structured deposits	—	72,847
— Wealth management products	—	10,776
	—	83,623
	434	84,546

At 31 December 2021, the structured deposits and wealth management products issued by the banks with the aggregate amount of RMB59,492,000 (equivalent to HKD72,847,000) and RMB8,800,000 (equivalent to HKD10,776,000) respectively, which their expected annual returns are ranging from 1.9% to 4.1% and 2.61% respectively. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair values were based on cash flows discounted using the expected return based on the management judgement and were within Level 2 of fair value hierarchy.

All the structured deposits and wealth management products were redeemed during the year ended 31 December 2022.

All structured deposits as at 31 December 2021 were pledged to the banks as guarantee deposits for certain bills payable made available to the Group (see Notes 22 and 33). During the year ended 31 December 2022, the relevant pledged terms were released upon the repayment of relevant bills payables.

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For the year ended 31 December 2022

20. INVENTORIES

	2022 HKD'000	2021 HKD'000
Food and beverages	1,892	—

21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

(a) Cash and cash equivalents comprise:

	2022 HKD'000	2021 HKD'000
Cash and bank balances	76,603	113,402
Less: pledged bank deposits	(38,919)	(97,960)
Cash and cash equivalents	37,684	15,442

Pledged bank deposits carry fixed interest rate of 1.75% (2021: 2.46%) and represent deposits pledged to bank as guarantee deposits for certain bills payable made available to the Group (see Notes 22 and 33).

Cash at banks earns interest of floating rates based on daily bank deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)**(b) Reconciliation of liabilities arising from financing activities**

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

	Borrowings HKD'000 (Note 25)	Lease liabilities HKD'000 (Note 26)	Total HKD'000
At 1 January 2022	523,089	4,542	527,631
Changes from financing cash flows:			
Proceeds from new loans	448,344	—	448,344
Repayment of loans	(506,412)	—	(506,412)
Capital element of lease rental paid	—	(513)	(513)
Interest element of lease rental paid	—	(107)	(107)
Interest paid	(34,712)	—	(34,712)
Total changes from financing cash flows	(92,780)	(620)	(93,400)
Exchange realignment	(39,357)	(4,401)	(43,758)
Other changes:			
Increase in borrowings from acquisition of subsidiaries	22,786	—	22,786
Increase in lease liabilities from acquisition of subsidiaries	—	53,435	53,435
Increase in lease liabilities from entering into new leases during the year	—	5,267	5,267
Decrease in lease liabilities from lease modification	—	(31,383)	(31,383)
Decrease in lease liabilities from early termination of leases during the year	—	(5,838)	(5,838)
Interest expenses (Note 5(a))	30,388	1,475	31,863
Change in interest payables	4,324	—	4,324
Total other changes	57,498	22,956	80,454
At 31 December 2022	448,450	22,477	470,927

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21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bonds HKD'000	Borrowings HKD'000 (Note 25)	Lease liabilities HKD'000 (Note 26)	Total HKD'000
At 1 January 2021	189,927	471,336	4,514	665,777
Changes from financing cash flows:				
Repayment of bonds	(190,000)	—	—	(190,000)
Proceeds from new loans	—	474,927	—	474,927
Repayment of loans	—	(436,091)	—	(436,091)
Capital element of lease rental paid	—	—	(1,713)	(1,713)
Interest element of lease rental paid	—	—	(322)	(322)
Interest paid	(21,792)	(45,194)	—	(66,986)
Total changes from financing cash flows	(211,792)	(6,358)	(2,035)	(220,185)
Exchange realignment	—	12,917	72	12,989
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	—	4,633	4,633
Decrease in lease liabilities from early termination of leases during the year	—	—	(2,964)	(2,964)
Interest expenses (Note 5(a))	3,176	44,403	322	47,901
Amortised cost of handling fee for issuance of bonds (Note 5(a))	73	—	—	73
Change in interest payables	18,616	791	—	19,407
Total other changes	21,865	45,194	1,991	69,050
At 31 December 2021	—	523,089	4,542	527,631

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For the year ended 31 December 2022

22. TRADE AND BILLS PAYABLES

	2022 HKD'000	2021 HKD'000
Trade payables	74,548	90,062
Bills payable	77,838	220,700
	152,386	310,762

The ageing analysis of trade and bills payables as at the end of the reporting period, based on invoice date, is as follows:

	2022 HKD'000	2021 HKD'000
Within 1 month	6,348	35,005
1 to 3 months	9,291	32,653
3 to 12 months	100,193	240,639
Over 12 months	36,554	2,465
	152,386	310,762

At 31 December 2022, the Group had HKD77,838,000 (2021: HKD220,700,000) bills payable which were secured by pledged bank deposits (2021: secured by structured deposits and pledged bank deposits).

23. OTHER PAYABLES AND ACCRUED CHARGES

	2022 HKD'000	2021 HKD'000
Accruals		
— Accrued staff costs, welfare and benefits (including accrued directors' remunerations)	5,828	3,600
— Other accruals	8,191	1,597
Deposits received		
— Deposits for finance lease	6,511	8,060
— Rental deposits	6,846	1,046
— Sales deposits	5,013	2,595
— Other deposits	4,217	3,683
Other payables		
— Interest payables	4,403	79
— Rental expenses payables	6,040	—
— Other tax payables	3,008	—
Payables for leasehold improvements	4,165	—
Advances received from a customer (Note)	27,354	—
Others	1,361	3,546
	82,937	24,206

Note:

Advances received from a customer relate to hotel management service business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. CONTRACT LIABILITIES

When the Group receives a prepayment or a deposit from customers before supply or delivery of promised goods or services, which depends on the specific term of sales and concern of new customers, this will give rise to contract liabilities at the start of contract.

Movements in contract liabilities during the year are as follows:

	2022 HKD'000	2021 HKD'000
At 1 January	11,144	30,729
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	(11,144)	(30,729)
Increase due to cash received in advance before delivery of promised goods, excluding amounts recognised as revenue during the year	15,325	10,970
Exchange realignment	(478)	174
At 31 December	<u>14,847</u>	<u>11,144</u>

All of the contract liabilities are expected to be recognised as revenue within one year.

25. BORROWINGS

	2022 HKD'000	2021 HKD'000
Bank loans, secured (Note (a))	435,996	517,089
Other borrowings, secured (Note (b))	12,454	6,000
	<u>448,450</u>	<u>523,089</u>

The maturity profile of borrowings, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	2022 HKD'000	2021 HKD'000
Within 1 year	415,474	493,502
After 1 year but within 2 years	5,864	5,385
After 2 years but within 5 years	27,112	24,202
	<u>448,450</u>	<u>523,089</u>
Less: Amount due within one year or repayable on demand classified as current liabilities	(415,474)	(493,502)
Amount due for settlement after one year	<u>32,976</u>	<u>29,587</u>

25. BORROWINGS (Continued)

Notes:

- (a) Bank loans comprise Bank Loan 1, Bank Loan 2, Bank Loan 3 and Bank Loan 4.

Bank Loan 1 with principal amount of RMB24,507,000 (equivalent to HKD27,646,000) (2021: RMB28,286,000 (equivalent to HKD34,636,000)) is secured by certain investment properties of the Group (see Note 13) and is repayable by instalments up to 2027. Interest is charged at Prime rate of The People's Bank of China ("PBOC") plus 30% of PBOC Prime rate per annum.

Bank Loan 2 with principal amount of RMB279,000,000 (equivalent to HKD314,740,000) (2021: RMB280,000,000 (equivalent to HKD342,860,000)) is secured by corporate guarantee executed by the Company and its certain subsidiaries and certain properties owned by an independent third party and is repayable within one year. Interest is charged at a fixed rate of 5.4% per annum.

Bank Loan 3 with principal amount of RMB72,980,000 (equivalent to HKD82,329,000) (2021: RMB114,000,000 (equivalent to HKD139,593,000)) is secured by certain properties owned by independent third parties and is repayable within one year. Interest is charged at a fixed rate of 6.5% per annum.

Bank Loan 4 with principal amount of RMB10,000,000 (equivalent to HKD11,281,000) is secured by certain investment properties of the Group (see Note 13) and is repayable by instalments up to 2025. Interest is charged at a fixed rate of 5% per annum.

- (b) At 31 December 2022, other borrowing with principal amount of RMB11,040,000 (equivalent to HKD12,454,000) is obtained from an independent third party. The loan is unsecured and is repayable within one year. Interest is charged at a fixed rate of 6.05% per annum.

At 31 December 2021, other borrowing with principal amount of HKD6,000,000 was obtained from an independent third party. The loan was secured by certain listed equity securities classified as financial assets at fair value through other comprehensive income held by the Group (see Note 16) and the corporate guarantee executed by the Company, and was repayable within one year. Interest was charged at a fixed rate of 10% per annum. This loan was fully repaid during the year ended 31 December 2022.

26. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2022 HKD'000	2021 HKD'000
Within 1 year	2,603	1,614
After 1 year but within 2 years	2,590	1,628
After 2 years but within 5 years	8,008	1,300
After 5 years	9,276	—
	22,477	4,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax (assets)/liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HKD'000	Tax losses HKD'000	Fair value changes of investments HKD'000	Investment properties HKD'000	Total HKD'000
At 1 January 2021	—	—	(48)	26,450	26,402
Exchange realignment	—	—	7	784	791
Charged to profit or loss (Note 6(a))	—	—	449	3,840	4,289
At 31 December 2021 and 1 January 2022	—	—	408	31,074	31,482
Exchange realignment (Credited)/charged to profit or loss (Note 6(a))	—	458	(23)	(3,210)	(2,775)
Acquisition of subsidiaries (Note 30)	316	(1,799)	(442)	151	(1,774)
Transfer	707	(5,111)	—	8,092	3,688
	(1,023)	—	—	1,023	—
At 31 December 2022	—	(6,452)	(57)	37,130	30,621

(ii) Reconciliation to the consolidated statement of financial position

	2022 HKD'000	2021 HKD'000
Net deferred tax asset recognised in the consolidated statement of financial position	(6,509)	—
Net deferred tax liability recognised in the consolidated statement of financial position	37,130	31,482
	30,621	31,482

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**(b) Deferred tax not recognised**

At 31 December 2022, the Group had not recognised deferred tax assets in respect of cumulative tax losses of approximately HKD34,416,000 (2021: HKD19,793,000) and other deductible temporary differences of HKD36,220,000 (2021: HKD11,679,000) as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. Of the total tax losses, under the current tax legislation of respective tax jurisdiction of the entities within the Group, amount of HKD5,085,000 (2021: HKD961,000) will expire within 5 years and the remaining tax losses of HKD29,331,000 (2021: HKD18,832,000) have no expiry date.

At 31 December 2022, the Group has unrecognised deferred tax liabilities of HKD9,471,000 (2021: HKD7,592,000) in relation to withholding tax on undistributed profits of HKD189,418,000 (2021: HKD151,840,000) of the Group's subsidiaries in the PRC as the Group is in a position to control the dividend policy of these subsidiaries and no distribution of such profits is expected to be declared by them in the foreseeable future.

28. CAPITAL, RESERVES AND DIVIDENDS**(a) Movements in components of equity**

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HKD'000	Share premium HKD'000	Contributed surplus HKD'000	Accumulated losses HKD'000	Total HKD'000
At 1 January 2021	58,000	362,134	181,059	(250,630)	350,563
Changes in equity for the year ended 31 December 2021:					
Loss and total comprehensive loss for the year	—	—	—	(51,510)	(51,510)
Issue of ordinary shares, net of direct transaction costs (Note 28(c))	20,000	178,225	—	—	198,225
At 31 December 2021	<u>78,000</u>	<u>540,359</u>	<u>181,059</u>	<u>(302,140)</u>	<u>497,278</u>
At 1 January 2022	78,000	540,359	181,059	(302,140)	497,278
Changes in equity for the year ended 31 December 2022:					
Loss and total comprehensive loss for the year	—	—	—	(4,499)	(4,499)
At 31 December 2022	<u>78,000</u>	<u>540,359</u>	<u>181,059</u>	<u>(306,639)</u>	<u>492,779</u>

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For the year ended 31 December 2022

28. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividend

The directors do not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

(c) Share capital

Authorised and issued share capital

	2022		2021	
	No. of shares '000	HKD'000	No. of shares '000	HKD'000
Authorised:				
At the beginning and end of the year	10,000,000	200,000	10,000,000	200,000
Ordinary shares, issued and fully paid:				
At the beginning of the year	3,900,000	78,000	2,900,000	58,000
Issue of shares	—	—	1,000,000	20,000
At the end of the year	3,900,000	78,000	3,900,000	78,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 24 March 2021, the Company issued 720,000,000 ordinary shares of HKD0.02 each under placing agreement to an independent third party at the placing price of HKD0.20 per share for a total cash consideration of approximately HKD144,000,000. On the same date, the Company issued 280,000,000 ordinary shares of HKD0.02 each under subscription agreement to one existing substantial shareholder of the Company at the subscription price of HKD0.20 per share for a total cash consideration of approximately HKD56,000,000. Net proceeds of approximately HKD198,225,000, after deducting direct transaction costs, were received upon the completion of the issue of ordinary shares.

(d) Nature and purpose of reserve

(i) Share premium

The application of the share premium account is governed by Bermuda Companies Act 1981 (as amended).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in Note 2(v).

28. CAPITAL, RESERVES AND DIVIDENDS *(Continued)***(d) Nature and purpose of reserve** *(Continued)**(iii) Contributed surplus*

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time the reorganisation on 9 November 2001 and has been adjusted for the dividend declared from this reserve after 9 November 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a Company is available for distribution. However, the Company cannot declare or pay dividend, or make a distribution out of the contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than its liabilities.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 2(g)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group regularly reviews its capital structure on the basis of a gearing ratio computed as total debt over shareholders' fund. For this purpose, the Group defines total debts as total borrowings (which include interest-bearing borrowings and lease liabilities). Total shareholders' fund comprises all components of equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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29. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a shareholders' resolution passed on 23 August 2011 for the primary purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted. Under the Scheme, the board of directors (the "**Directors**") may grant options to eligible employees of the Group, any executive and non-executive directors (including independent non-executive directors) of the Group and other eligible participants to subscribe for shares in the Company (the "**Shares**"), at a price to be determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 141,500,000 shares of the Company, being 10% of the shares in issue on the date of approval of the Scheme by the shareholders of the Company.

Unless approved by shareholders of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options to be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

The Scheme was expired during the year ended 31 December 2021 and no new share option scheme was proposed and adopted thereafter.

30. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

On 1 April 2022, the Group acquired 100% issued shares of Foresight Industrial Group Limited ("**Foresight Industrial**") from an independent third party at a cash consideration of approximately HKD120,000,000. Upon the completion of the transaction, the Foresight Industrial has become a wholly-owned subsidiary of the Company and the consolidated financial statements of the Foresight Industrial and its subsidiaries ("**Foresight Industrial Group**") were therefore consolidated into the consolidated financial statements of the Company. Foresight Industrial Group is principally engaged in hotel operations and management, and provision of food and beverage catering services in the PRC. The primary reason for the above acquisition is to diversify the business risks and to expand the income streams of the Group.

30. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION (Continued)**Fair value of identifiable assets and liabilities of Foresight Industrial Group at the date of acquisition**

	HKD'000
Assets	
Investment properties	34,639
Property, plant and equipment	130,506
Right-of-use assets	53,435
Intangible assets	1,346
Inventories	3,160
Trade and other receivables	54,404
Cash and cash equivalents	34,534
Liabilities	
Trade and other payables	(109,008)
Contract liabilities	(5,356)
Borrowings	(22,786)
Lease liabilities	(53,435)
Tax payables	(1,606)
Deferred tax liabilities	(3,688)
Fair value of identifiable net assets of Foresight Industrial Group	116,145
Goodwill arising on acquisition	3,855
Total consideration	<u>120,000</u>

Net cash outflow arising on acquisition

	HKD'000
Cash consideration	(120,000)
Less: Cash and cash equivalents acquired	<u>34,534</u>
Net cash outflow	<u>(85,466)</u>

The receivables acquired (which principally comprised trade receivables) with a fair value of HKD54,404,000 at the date of acquisition had gross amount of HKD54,404,000. The best estimate at acquisition date is that all the contractual cash flows are expected to be collected.

Goodwill arose from the above acquisition by the Group is mainly attributable to the benefit of expected revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

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30. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(Continued)*

Impact of acquisition on the results of the Group

The acquired subsidiaries contributed approximately HKD87,504,000 to the Group's revenue and resulted loss of approximately HKD21,674,000 for the period between the date of acquisition and the end of the year ended 31 December 2022.

Had the above acquisitions been effected at the beginning of the year, the total amount of revenue of the Group for the year would have been approximately HKD757,094,000 and the amount of the loss for the year would have been approximately HKD20,378,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits, finance lease receivables, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and pledged bank deposits are normally placed at financial institutions that have sound credit rating.

Finance lease receivables

The Group applied a simplified approach to provide for expected credit losses prescribed by HKFRS 9 Financial Instruments, which permits the use of the lifetime expected credit loss provision for finance lease receivables. For customers who purchased the motor vehicles or machineries under finance lease arrangement, the Group has policies in place to review their credit worthiness and charged a market interest rate based on their credit worthiness. Management monitors the scheduled instalment pattern and credit worthiness of the customers closely. In the event, the Group notices the deterioration of credit worthiness and default settlement of 2 months contractual instalments, the Group will repossess the assets up for sale. At 31 December 2022 and 2021, all of the finance lease receivables were not past due. Management, considered among other factors, analysed historical pattern and concluded that the expected credit loss allowance for finance lease receivables to be HKD1,348,000 (2021: HKD459,000) as at 31 December 2022. The credit risk associated with finance lease receivables is mitigated because they are secured over the vehicles and machines leased.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)**(a) Credit risk** (Continued)*Finance lease receivables (continued)*

Movements in the loss allowance account in respect of finance lease receivables during the year are as follows:

	2022 HKD'000	2021 HKD'000
At the beginning of the year	459	760
Provision for/(reversal of) impairment loss	954	(317)
Exchange realignment	(65)	16
At the end of the year	1,348	459

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2022, the Group had a certain concentration of credit risk as 60% (2021: 61%) and 93% (2021: 86%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due from 0 to 365 days (2021: from 30 to 365 days) from the date of billing. Overdue balances are monitored tightly and regularly.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Trade receivables balances are assessed for impairment individually and/or collectively. For trade receivables balances being assessed for impairment collectively, the management calculates the loss allowance using a provision matrix. The Group segments its trade receivables based on shared credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables calculated using the provision matrix:

	Expected loss rate %	2022 Gross carrying amount HKD'000	Loss allowance HKD'000
Current (not past due)	0.76	572,419	(4,333)
Less than 1 month past due	10.50	25,141	(2,639)
1 to 3 months past due	12.72	849	(108)
3 to 12 months past due	13.83	18,936	(2,619)
Over 12 months past due	44.37	31,194	(13,840)
		<u>648,539</u>	<u>(23,539)</u>
	Expected loss rate %	2021 Gross carrying amount HKD'000	Loss allowance HKD'000
Current (not past due)	0.19	556,384	(1,046)
Less than 1 month past due	10.46	14,455	(1,513)
1 to 3 months past due	10.46	29,752	(3,113)
3 to 12 months past due	10.46	32,996	(3,453)
		<u>633,587</u>	<u>(9,125)</u>

Hotel management and catering services

The management makes periodic individual assessment on the recoverability of trade receivables due from hotel management and catering services based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information. At 31 December 2022, trade receivables with gross carrying amount of HKD11,595,000 were assessed individually.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)**(a) Credit risk** (Continued)*Hotel management and catering services (continued)*

Movements in the loss allowance account in respect of trade receivables during the year are as follows:

	Trade receivables assessed individually HKD'000	Trade receivables assessed collectively HKD'000	Total HKD'000
At 1 January 2021	—	2,146	2,146
Provision for impairment loss	—	6,813	6,813
Exchange realignment	—	166	166
At 31 December 2021 and 1 January 2022	—	9,125	9,125
Provision for impairment loss	2,641	15,618	18,259
Exchange realignment	(83)	(1,204)	(1,287)
At 31 December 2022	<u>2,558</u>	<u>23,539</u>	<u>26,097</u>

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical observed default rates over the expected life of the other receivables and deposits and are adjusted for forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECLs. At 31 December 2022, the Group's cumulative expected credit loss for other receivables mainly originated from loss allowance for supply chain finance arrangements. For supply chain financing arrangements, the Group has developed a series of policies to mitigate credit risk, including obtaining security deposit and guarantee from an enterprise or individual, depending on the customers' credit status and credit risk degree. The management periodically evaluates the capability of the guarantor.

Movements in the loss allowance account in respect of other receivables during the year are as follows:

	2022 HKD'000	2021 HKD'000
At the beginning of the year	1,776	1,223
Provision for impairment loss	297	511
Exchange realignment	(143)	42
At the end of the year	<u>1,930</u>	<u>1,776</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2022				At 31 December 2021					
	Within 1 year or on demand HKD'000	More than 1 year but less than 2 years HKD'000	More than 2 years HKD'000	Total contractual undiscounted cash flow HKD'000	Carrying amount HKD'000	Within 1 year or on demand HKD'000	More than 1 year but less than 2 years HKD'000	More than 2 years HKD'000	Total contractual undiscounted cash flow HKD'000	Carrying amount HKD'000
Trade and bills payables	152,386	—	—	152,386	152,386	310,762	—	—	310,762	310,762
Other payables and accrued charges	81,576	—	—	81,576	81,576	20,660	—	—	20,660	20,660
Borrowings*	433,869	7,700	29,216	470,785	448,450	517,894	7,138	27,391	552,423	523,089
Lease liabilities	3,586	3,442	19,791	26,819	22,477	1,820	1,746	1,327	4,893	4,542
	<u>671,417</u>	<u>11,142</u>	<u>49,007</u>	<u>731,566</u>	<u>704,889</u>	<u>851,136</u>	<u>8,884</u>	<u>28,718</u>	<u>888,738</u>	<u>859,053</u>

+ Borrowings with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, finance lease receivables and borrowings. Bank deposits and borrowings are issued at variable rates and at fixed rates which would expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)**(c) Interest rate risk** (Continued)*(i) Interest rate profile*

The Group's interest rate profile as monitored by management is set out below:

	At 31 December 2022		At 31 December 2021	
	Effective interest rate %	HKD'000	Effective interest rate %	HKD'000
Fixed rate financial instruments				
Pledged bank deposits	1.98	38,919	2.46	97,960
Finance lease receivables	10.50	28,998	8.02	26,847
Borrowings	5.93	(420,804)	5.77	(488,453)
Lease liabilities	5.46	(22,477)	5.41	(4,542)
Net exposure		<u>(375,364)</u>		<u>(368,188)</u>
Variable rate financial instruments				
Bank deposits	0.65	37,645	0.01	15,364
Borrowings	6.25	(27,646)	6.37	(34,636)
Net exposure		<u>9,999</u>		<u>(19,272)</u>

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points (2021: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax by approximately HKD83,000 (2021: increase/decrease the Group's loss after tax by approximately HKD161,000).

At 31 December 2022 and 2021, the Group's financial instruments issued at fixed rate which expose the Group to fair value interest rate risk. Management of the Group considers the fair value exposure of the fixed rate financial instruments is insignificant to the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis as 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The Group's business activities and its assets and liabilities were denominated in HKD and RMB. The management considers the Group is not exposed to significant foreign currency risk as most sales, income, purchases and expenses are denominated in the functional currency of the operations to which they relate. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at FVOCI and FVPL (see Notes 16 and 19).

Management of the Group considers the exposure of equity price changes of equity investments classified as financial assets at FVOCI and FVPL is insignificant and accordingly no sensitivity analysis is presented.

(f) Categories of financial instruments

	2022 HKD'000	2021 HKD'000
Financial assets		
Financial assets at amortised cost	837,626	876,226
Financial assets at FVOCI	4,472	133,162
Financial assets at FVPL	434	84,546
	842,532	1,093,934
Financial liabilities		
Financial liabilities at amortised cost	704,889	859,053

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(g) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table represents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's finance department which led by the Group's financial controller, performs the valuations of financial assets (including Level 3 fair values) required for financial reporting purposes and independent external valuers will be engaged for expert opinions if needed. Discussions of valuation processes and results are held by the board members and Audit Committee at least twice every year, which is in line with the Group's reporting periods.

The following table presents the Group's assets that are measured at fair value at the end of the reporting periods:

	Fair value at 31 December 2022				Fair value at 31 December 2021	Fair value measurements as at 31 December 2021		
	Fair value measurements as at 31 December 2022 categorised into					Fair value measurements as at 31 December 2021 categorised into		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	
Recurring fair value measurements								
Assets:								
Financial assets measured at FVOCI								
— Listed equity securities	4,472	4,472	—	—	23,162	23,162	—	—
— Unlisted equity securities	—	—	—	—	110,000	—	—	110,000
Financial assets measured at FVPL								
— Listed equity securities	434	434	—	—	923	923	—	—
— Structured deposits	—	—	—	—	72,847	—	72,847	—
— Wealth management products	—	—	—	—	10,776	—	10,776	—

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 for both reporting periods. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(g) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(Continued)*

Information about Level 3 fair value measurements as at 31 December 2021

	Valuation techniques	Significant unobservable inputs	Percentage
Unlisted equity instrument	Market approach	Discount for lack of marketability	15.0%

As at 31 December 2021, the fair value of unlisted equity securities was determined using the price-to-earning ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. It is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would result in increase/decrease in the Group's other comprehensive income of HKD3,000,000.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2022 HKD'000	2021 HKD'000
Unlisted equity investments:		
At 1 January	110,000	180,123
Disposal (Note 16)	(110,000)	—
Change in fair value	—	(70,123)
At 31 December	—	110,000

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

32. FINANCIAL GUARANTEES ISSUED

At 31 December 2022, the Company had issued corporate guarantees amounting to HKD315 million (2021: HKD343 million) and nil (2021: HKD6 million) to banks and an independent third party respectively in connection with facilities granted to certain subsidiaries within the Group. The directors of the Company consider the fair value of these guarantees at the date of inception is insignificant.

At 31 December 2022, the directors of the Company considered it is not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued was the facilities drawn down by subsidiaries of HKD315 million (2021: HKD349 million).

33. PLEDGE OF ASSETS

At 31 December 2022, the Group has the following charge on assets:

- (i) Certain investment properties of the Group with an aggregate carrying amount of approximately HKD243,706,000 (2021: all investment properties of approximately HKD244,181,000) were pledged to banks for loans granted to the Group which are disclosed in Note 13.
- (ii) The structured deposits and pledged bank deposits of the Group with carrying amount of nil (2021: approximately HKD72,847,000) and approximately HKD38,919,000 (2021: HKD97,960,000) respectively were pledged as guarantee deposits for bills payable made available to the Group which are disclosed in Note 19 and Note 21 respectively.

At 31 December 2021, certain listed equity securities classified as financial assets at FVOCI of the Group with carrying amount of approximately HKD3,796,000 were pledged to an independent third party for an other borrowing granted to the Group which is disclosed in Note 16.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and the highest paid employees as disclosed in Note 8, is as follows:

	2022 HKD'000	2021 HKD'000
Salaries, allowances and other benefits	4,599	5,317
Contributions to defined contributions retirement plan	212	193
	4,811	5,510

Total remuneration is included in "Staff costs" (see Note 5(b)).

(b) Other related party transactions

The Group did not enter into other significant related party transactions during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Related party balances

At 31 December 2022, the Group does not have any balance dealt with its related party (2021: nil).

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

The Group management determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment and right-of-use assets

In considering the impairment loss that may be required for certain property, plant and equipment and right-of-use assets, recoverable amount of the asset needs to be determined. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

An increase or decrease in the above impairment loss would affect the operating results in the year and future years.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)***(c) Income taxes**

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules in various jurisdictions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in respective tax legislation.

Deferred tax assets/liabilities are recognised for tax losses not yet utilised, taxable temporary differences arising from revaluation of investment properties and other deductible or taxable temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the unused tax loss can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised only if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Valuation of investment properties

Investment properties are stated at fair value based on the valuations performed by independent qualified professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions including unobservable inputs. In relying on the valuation report, the directors of the Company have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss that would be recognised in profit or loss. Details of these are set out in Note 13.

(e) Provision of ECLs for trade and other receivables and finance lease receivables

Trade receivables and finance lease receivables are assessed for ECL individually and/or collectively. Where ECL is measured on a collective basis, the Group estimates ECL through groupings of various debtors that have similar loss patterns, after considering the historical loss rates experience, ageing of overdue debtors, customers' repayment history, customer's financial position and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Impairment loss on other receivables represent management's best estimate of losses incurred under ECL models. Management assesses whether the credit risk of other receivables have increased significantly since their initial recognition and apply a three-stage impairment model to calculate their ECL. The Group is required to exercise judgement in making assumptions and estimates when calculating impairment loss on other receivables, including historical loss experience on the basis of the relevant observable data that reflects current economic conditions, all of which involves significant management judgements and assumptions.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade and other receivables and finance lease receivables are disclosed in Note 18, Note 17 and Note 31(a). If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Estimate of fair value of equity investments

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model) and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are described in Note 31(g).

(g) Determining the lease term

As explained in policy Note 2(j)(b), where the Group is the lessee, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

36. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting periods are as follows:

Name of subsidiary	Place of incorporation/ registration	Particular of issued and paid up capital/registered capital	Proportion of ownership interest held by the Company				Principal activities
			2022		2021		
			Directly	Indirectly	Directly	Indirectly	
Grand Mark Worldwide Limited	Hong Kong	1 share of HKD1 each	—	100%	—	100%	Money lending business and securities investment
Hua Tong Group Limited	British Virgin Islands	1 share of USD1 each	100%	—	100%	—	Investment holding
Marvel Innovator Investment Holdings Limited	Hong Kong	10,000 shares of HKD1 each	—	100%	—	100%	Securities investment
深圳金盛融資租賃有限公司#	The PRC	HKD100,000,000	100%	—	100%	—	Provision of leasing services
深圳金勝供應鏈有限公司#	The PRC	HKD100,000,000	—	100%	—	100%	Supply chain business
深圳金盛商業有限公司	The PRC	RMB60,000,000	—	100%	—	100%	Property investment
深圳金盛商業保理有限公司#	The PRC	HKD25,000,000	—	100%	—	100%	Provision of trade financing, accounts receivable management and debt collection services
萊華國際酒店有限公司#	The PRC	HKD65,000,000	—	100%	—	—	Investment holding and hotel management
深圳萊華食品有限公司	The PRC	RMB10,000,000	—	100%	—	—	Food manufacturing
北海萊麗酒店有限公司	The PRC	RMB50,000,000	—	100%	—	—	Hotel management
深圳市粵江春餐飲管理有限公司	The PRC	RMB23,000,000	—	100%	—	—	Catering services
深圳市萊粵軒餐飲管理有限公司	The PRC	RMB3,000,000	—	100%	—	—	Catering services

Wholly foreign owned enterprise in the PRC.

All subsidiaries operate principally in their respective places of incorporation or registration. None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HKD'000	2021 HKD'000
Non-current assets		
Investments in subsidiaries	100,010	100,010
Current assets		
Other receivables, prepayments and deposits	417	268
Amounts due from subsidiaries	542,710	425,402
Cash and cash equivalents	686	2,182
	543,813	427,852
Current liabilities		
Accrued charges	940	840
Amounts due to subsidiaries	150,104	29,744
	151,044	30,584
Net current assets	392,769	397,268
NET ASSETS	492,779	497,278
CAPITAL AND RESERVES (Note 28(a))		
Share capital	78,000	78,000
Reserves	414,779	419,278
TOTAL EQUITY	492,779	497,278

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of Financial Statements and HKFRS Practice Statement 2, Making Materially Judgements: Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12, Income taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendment to HKAS 16, Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them will not have a significant impact on the Group's consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December 2018 HKD'000	Year ended 31 December 2019 HKD'000	Year ended 31 December 2020 HKD'000	Year ended 31 December 2021 HKD'000	Year ended 31 December 2022 HKD'000
Continuing operations					
Revenue	1,080,517	1,466,328	3,003,249	2,125,223	726,536
Profit from operations	19,412	47,315	70,877	47,703	15,025
Finance costs	(8,372)	(13,714)	(36,991)	(47,974)	(31,863)
Share of results of an associate	(4,045)	7,939	—	—	—
Profit/(loss) before taxation	6,995	41,540	33,886	(271)	(16,838)
Income tax (expense)/credit	(3,946)	(10,059)	(12,602)	(5,377)	2,577
Profit/(loss) for the year from continuing operations	3,049	31,481	21,284	(5,648)	(14,261)
Discontinued operations					
(Loss)/profit for the year from discontinued operations	(12,103)	23,030	—	—	—
(Loss)/profit for the year	(9,054)	54,511	21,284	(5,648)	(14,261)
Attributable to:					
Equity shareholders of the Company	(9,041)	54,511	21,284	(5,648)	(14,259)
Non-controlling interests	(13)	—	—	—	(2)
	(9,054)	54,511	21,284	(5,648)	(14,261)

ASSETS AND LIABILITIES

	2018 HKD'000	2019 HKD'000	At 31 December		2022 HKD'000
			2020 HKD'000	2021 HKD'000	
Total assets	868,167	1,072,113	1,859,777	1,551,859	1,327,807
Total liabilities	(410,372)	(577,652)	(1,328,988)	(905,443)	(758,884)
Net assets	457,795	494,461	530,789	646,416	568,923
Equity attributable to equity shareholders of the Company	457,793	494,459	530,787	646,414	568,923
Non-controlling interests	2	2	2	2	—
Total equity	457,795	494,461	530,789	646,416	568,923