



Nanyang Holdings Limited

(Incorporated in Bermuda with limited liability) Stock Code: 212

2023 Annual Report



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Directors

- # Nicholas Timothy James Colfer (Chairman) (Appointed as Chairman with effect from 1 January 2024)
- # Rudolf Bischof (Retired as Chairman with effect from 1 January 2024)
Lincoln Chu Kuen Yung, JP, FHKIB
- # Robert Tsai To Sze
- * John Con-sing Yung
- # Wong Chi Kwong Patrick
Jennie Chen

Independent Non-Executive Directors

* *Non-Executive Director*

Senior Management

Lincoln Chu Kuen Yung, JP, FHKIB (Managing Director)
Jennie Chen (Assistant Managing Director and Financial Controller)
Yung Ka Sing, Kathryn (Chief Investment Officer)

Company Secretary

Lee Sheung Yee

Principal Share Registrar and Transfer Agent

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10
Bermuda

Branch Share Registrar and Registration Office

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Independent Auditors

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

Bankers

The Hongkong & Shanghai Banking Corporation Ltd
Shanghai Commercial Bank Ltd

Solicitors

Mayer Brown

Company Website

www.nanyangholdingslimited.com

GROUP FINANCIAL HIGHLIGHTS

	2023 HK\$'000	2022 HK\$'000	Variance
Revenue and other income/(losses)	<u>196,014</u>	<u>95,070</u>	106%
Profit attributable to equity holders of the Company	48,961	12,268	299%
Profit attributable to equity holders of the Company after excluding: – changes in fair value of investment properties and related tax effects	<u>75,573</u>	<u>12,426</u>	508%
	<u>124,534</u>	<u>24,694</u>	404%
	2023 HK\$	2022 HK\$	
Earnings per share	1.44	0.36	299%
Earnings per share – after excluding the changes in fair value of investment properties and related tax effects	3.67	0.73	404%
Final dividend per share	0.70	0.70	–
Special dividend per share	0.60	0.30	100%
Dividend per share	1.30	1.00	30%
Net asset value per share	<u>153.36</u>	<u>149.12</u>	3%

FIVE YEAR FINANCIAL SUMMARY

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Consolidated Income Statement					
Revenue and other income/(losses)	196,014	95,070	195,501	225,203	228,897
Operating profit	65,546	35,081	201,165	132,030	75,566
Finance income	1,909	813	154	166	1,006
Finance expense	(155)	(212)	(71)	(658)	(304)
Share of profits/(losses) of joint ventures	3,129	(541)	10,992	(18,880)	6,306
Profit before income tax	70,429	35,141	212,240	112,658	82,574
Income tax expense	(21,468)	(22,873)	(21,523)	(25,892)	(22,293)
Profit attributable to equity holders of the Company	48,961	12,268	190,717	86,766	60,281
Dividends paid	33,968	47,555	47,781	48,122	48,267
Consolidated Balance Sheet					
Property, plant and equipment	115	161	177	162	213
Right-of-use assets	3,933	7,429	619	5,565	10,511
Investment properties	2,421,000	2,494,000	2,499,000	2,431,900	2,467,500
Investments in joint ventures	85,314	87,171	99,987	91,369	108,499
Financial assets at fair value through other comprehensive income	2,237,597	2,106,344	2,338,897	1,989,688	2,364,390
Non-current financial assets at fair value through profit or loss	9,006	10,008	9,242	4,918	4,606
Net current assets	483,541	393,513	547,742	483,543	398,062
Non-current lease liabilities	(448)	(3,981)	–	(611)	(5,454)
Deferred income tax liabilities	(27,911)	(27,894)	(27,520)	(26,442)	(25,451)
Other non-current liability	(1,500)	(1,493)	(1,205)	(1,184)	(1,163)
Net assets	5,210,647	5,065,258	5,466,939	4,978,908	5,321,713
Share capital	3,397	3,397	3,397	3,419	3,448
Reserves	5,207,250	5,061,861	5,463,542	4,975,489	5,318,265
Total equity	5,210,647	5,065,258	5,466,939	4,978,908	5,321,713

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Nicholas Timothy James Colfer

Chairman, Independent Non-Executive Director, Chairman of Nomination Committee, Member of Remuneration Committee and Member of Audit Committee

Mr. Nicholas Timothy James Colfer, aged 64, was appointed as an Independent Non-Executive Director on 22 March 2023 and became Chairman of the Board of Directors and Chairman of Nomination Committee on 1 January 2024. He holds a Bachelor of Arts and Master of Arts Degree from the University of Oxford. He has over 40 years' experience of corporate management in the Asia-Pacific region, principally in real estate, manufacturing and distribution. He is a Non-Executive Director of the Hongkong and Shanghai Hotels, Limited (whose shares had been listed on The Hong Kong Stock Exchange, Stock Code: 45), Chairman and Non-Executive Director of Tai Ping Carpets International Limited (whose shares had been listed on the Hong Kong Stock Exchange, Stock Code: 146), and also a Director of Sir Elly Kadoorie & Sons Limited, overseeing a number of Kadoorie family interests in Hong Kong and overseas.

Rudolf Bischof

Independent Non-Executive Director, Member of Nomination Committee, Member of Remuneration Committee and Member of Audit Committee

Mr. Rudolf Bischof, aged 82, was appointed an Independent Non-Executive Director of the Company in March 1998 and became Chairman in August 2003. Mr. Bischof has retired as Chairman of the Board of Directors and Chairman of the Nomination Committee of the Company with effect from 1 January 2024. He was educated in Switzerland and has been engaged in the field of asset management and private banking in Hong Kong since 1971, including several years with the former Swiss Bank Corporation. Prior to coming to Hong Kong, Mr. Bischof also worked for a leading British investment bank in London, Madrid and New York.

Lincoln Chu Kuen Yung, JP, FHKIB

Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Lincoln C. K. Yung, aged 78, has been a Director of the Company for 47 years. He is an economics graduate from the Cornell University and received an MBA in accounting and finance from The University of Chicago. Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is an Honorary Advisory Vice President and Fellow of The Hong Kong Institute of Bankers. Mr. Yung is a Director of The Shanghai Commercial & Savings Bank, Ltd. (whose shares had been listed on the Taiwan Stock Exchange in October 2018) and Non-Executive Vice-Chairman of Southern Textile Co. Ltd. In 2013, Mr. Yung became Chairman of Shanghai Sung Nan Textile Co. Ltd. Mr. Yung is currently the Honorary President of HK Wuxi Trade Association Limited and the Honorary Adviser of Federation of HK Jiangsu Community Organisations Ltd. He is also a Director of certain subsidiaries of the Company incorporated in Hong Kong, British Virgin Islands, Liberia and Panama. Mr. Yung has been an Independent Non-Executive Director, Audit Committee Member and Nomination Committee Member (resigned on 7 December 2023) of Tai Ping Carpets International Limited during the past three years. He is the son of the late Mr. Hung Ching Yung and the father of Mr. John Con-sing Yung and Ms. Yung Ka Sing, Kathryn.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(cont'd)*

Robert Tsai To Sze

Independent Non-Executive Director, Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee

Mr. Robert Sze, aged 83, was appointed an Independent Non-Executive Director of the Company in August 2003. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he had practised for over 20 years. He is an Independent Non-Executive Director of a number of Hong Kong listed companies, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited and Sunwah Kingsway Capital Holdings Limited. Mr. Sze has also been an Independent Non-Executive Director of Hop Hing Group Holdings Limited (resigned on 15 February 2022) during the past three years.

John Con-sing Yung

Non-Executive Director

Mr. John Yung, aged 55, was appointed a Non-Executive Director of the Company in December 2012. He holds a bachelor degree in arts and a master degree in business administration from the University of Chicago. Mr. Yung is a Director of certain subsidiaries of the Company incorporated in Hong Kong, British Virgin Islands, Liberia and Panama. He was appointed as Director of The Shanghai Commercial & Savings Bank, Ltd. (“SCSB”) in Taiwan since 2003, the shares of which had been listed on the Taiwan Stock Exchange in October 2018. He is presently a Managing Director of SCSB. In May 2016, Mr. Yung was appointed as a Non-Executive Director of Shanghai Commercial Bank Ltd. in Hong Kong. In May 2021, Mr. Yung was appointed as a Non-Executive Chairman and Shareholder representative of AMK Microfinance Institution Plc. in Cambodia. In October 2018, Mr. Yung was appointed as a Director of Pafoong Insurance Company (Hong Kong) Ltd. in Hong Kong and was further appointed as Non-Executive Chairman in July 2022. He has over nine years of experience in information technology and telecommunication business in the Asia Pacific region. Mr. Yung is a son of Mr. Lincoln C. K. Yung, a brother of Ms. Yung Ka Sing, Kathryn and a grandson of the late Mr. Hung Ching Yung.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT *(cont'd)*

Wong Chi Kwong Patrick

Independent Non-Executive Director, Chairman of Remuneration Committee, Member of Audit Committee and Member of Nomination Committee

Mr. Patrick Wong, aged 62, was appointed an Independent Non-Executive Director of the Company in October 2016. He holds a bachelor degree in laws from University of London. In 1992, Mr. Wong was admitted as a solicitor in Hong Kong and was also admitted as a solicitor in England & Wales in 1994. He was a partner of Mayer Brown (formerly Johnson Stokes & Master) from 1996 to 2015 with which he had practised for over 20 years. His personal practice focused on corporate finance and Hong Kong listed company related work.

Mr. Wong is currently the Chairman of the Court of Lingnan University and a Director of Lingnan Education Organization Limited. On 30 June 2023, Mr. Wong was appointed as an Independent Non-Executive Director of Tai Cheung Holdings Limited (whose shares had been listed on the Hong Kong Stock Exchange, Stock Code: 88). He is also the Deputy Chairman of The Applied Research Council of the Government of the Hong Kong Special Administrative Region. Mr. Patrick Wong was the Deputy Chairman of the Hong Kong Productivity Council between 2017 and 2022.

Jennie Chen

Assistant Managing Director and Financial Controller

Ms. Jennie Chen, aged 68, was appointed a Director of the Company in September 2003. Ms. Chen holds the position of Financial Controller and was appointed as the Assistant Managing Director of the Company on 22 March 2023. She has been with the Company for over 38 years. She graduated from the University of Toronto and has experience in accountancy, finance and investment, and the textile industry. Ms. Chen is a Director of Southern Textile Co. Ltd. and Shanghai Sung Nan Textile Co. Ltd. She is also a Director of certain subsidiaries of the Company incorporated in Hong Kong, British Virgin Islands, Liberia and Panama.

Yung Ka Sing, Kathryn (Appointed on 14 March 2024)

Chief Investment Officer

Ms. Kathryn Yung, aged 49, was appointed as Chief Investment Officer of the Company on 14 March 2024, who was overlooking the investment and properties portfolios of the Company. Prior to that, she was the Regional Client Leader of the Asia Pacific region for Allspring Global Investments (Hong Kong) Limited (previously known as Wells Fargo Asset Management (“WFAM”)) and led the sales and relationship management team for the Asia Pacific region ex-Japan. Prior to joining WFAM, she served as a Vice President and senior manager of Commercial Banking at Wells Fargo Bank, N.A. She has over 25 years’ experience in the asset management and banking industries. She holds a bachelor’s degree in economics (cum laude) from Harvard University. Ms. Yung also earned the right to use the Chartered Financial Analyst® (CFA®) designation and is a member of CFA Institute and CFA Society Hong Kong. On 7 December 2023, Ms. Yung was appointed as an Independent Non-Executive Director, member of the Audit Committee and the Nomination Committee of Tai Ping Carpets International Limited (whose shares had been listed on the Hong Kong Stock Exchange, Stock Code: 146). Ms. Yung is a daughter of Mr. Lincoln C. K. Yung, a sister of Mr. John Con-sing Yung and a granddaughter of the late Mr. Hung Ching Yung.

R E P O R T O F T H E D I R E C T O R S

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of its joint ventures and subsidiaries are set out in Notes 16 and 30 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement on page 58.

The Directors recommend the payment of a final dividend of HK\$0.70 (2022: HK\$0.70) per share and a special dividend of HK\$0.60 (2022: HK\$0.30) per share, representing a total dividend distribution of approximately HK\$44.2 million (2022: HK\$34.0 million). Subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting, the final and special dividends will be paid on around 30 May 2024.

Closure of Register of Members

For the purpose of ascertaining the shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 8 May 2024 to 14 May 2024, both days inclusive. In order to qualify for attending and voting at the Annual General Meeting, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 7 May 2024. The Annual General Meeting of the Company will be held on Tuesday, 14 May 2024.

For the purpose of ascertaining shareholders' entitlement for the proposed final and special dividends, the register of members of the Company will be closed from 21 May 2024 to 23 May 2024, both days inclusive. To qualify for the proposed final and special dividends, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 20 May 2024.

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 23 to the financial statements and in the consolidated statement of changes in equity on page 62 respectively.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2023, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$433,381,000 (2022: HK\$423,810,000).

Principal Properties

Details of the principal properties of the Group are set out on page 120.

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 22 to the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Directors

The names of the Directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the Directors are set out on pages 5 to 7.

Mr. Lincoln C. K. Yung retires voluntarily in accordance with the Company's Corporate Governance Code and, being eligible, offers himself for re-election.

Ms. Jennie Chen retires by rotation in accordance with Bye-law 109(A) of the Bye-laws of the Company and, being eligible, offers herself for re-election.

Mr. Rudolf Bischof retires by rotation in accordance with Bye-law 109(A) of the Bye-laws of the Company and will not offer himself for re-election.

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS *(cont'd)*

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

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

Name	Personal interests	Shares of HK\$0.10 each of the Company			% of issued share capital
		Family interests	Corporate interests	Total	
Hung Ching Yung ^(Note 1)	10,584,090	147,854	5,500,000 ^(Note 2)	16,231,944	47.79%
Lincoln C. K. Yung	2,294,500	10,000	–	2,304,500	6.78%
Rudolf Bischof	150,000	–	–	150,000	0.44%
John Con-sing Yung	33,000	37,000	–	70,000	0.21%

Notes:

1. Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.
2. As stated below, the late Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc., pursuant to the SFO.

During the year, the Company has not granted to any Directors, chief executive or their respective spouses and children under 18 years of age any rights to subscribe for shares of the Company and its associated corporations.

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

At no time during the year was the Company, its subsidiaries or its associated corporations a party to any arrangements to enable the Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any of its associated corporations.

REPORT OF THE DIRECTORS *(cont'd)*

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 31 December 2023, the Register of Substantial Shareholders' Interests and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	Number of Shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 ^(Note)	16.19%

Note: Mr. Hung Ching Yung (the then Executive Director and Managing Director) is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

Directors' Interests in Competing Business

As at 31 December 2023, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company during the year.

Dividend Policy

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may distribute dividends to its shareholders by ways of cash or by other means that the Company considers appropriate. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders.

The Board would review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- Results of operations of the Company;
- Cash flows of the Company;
- Financial condition of the Company;
- Shareholders' interests of the Company;
- General business conditions and strategies of the Company;

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Dividend Policy *(cont'd)*

- Capital requirements of the Company;
- The payment by subsidiaries of the Company of cash dividends to the Company; and
- Other factors the Board may deem relevant.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the Company.

Management Contracts

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

Permitted Indemnity Provisions

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	68%
– five largest suppliers combined	90%

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 6% and 19% (2022: 13% and 28%) of the Group's total income from investment properties for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Related Party Transactions

Details of related party transactions are set out in Note 28 to the financial statements. None of the transactions constitute a connected transaction as defined in the Listing Rules.

R E P O R T O F T H E D I R E C T O R S *(cont'd)*

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% (2022: more than 25%) of the Company's issued shares at 14 March 2024.

Business Review

Business review and prospects analysis is set out on pages 26 to 28.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

Equity-Linked Agreements

No equity-linked agreements were entered into by the Group during the year under review or subsisted at the end of the year.

On behalf of the Board

Nicholas Timothy James Colfer

Chairman

Hong Kong, 14 March 2024

The Board of Directors (the “Board”) of the Company is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group’s performance. Throughout the year, the Company was in compliance with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Corporate Culture and Strategy

The Board sets the tone and defines the Company’s corporate culture which includes its core value to act lawfully and responsibly, and its relations with its stakeholders. The Board plays a leading role in defining the Company’s purpose, values and strategy which is forward looking, adaptable to a changing environment and ensuring transparency in order to achieve success in its endeavours. The Board monitors and evaluates the Company’s culture, from time to time, by reviewing the Company’s decisions and actions whether they are consistent with its desired culture; staff and stakeholders engagements; employee turnover and training; financial reporting functions; effective and accessible whistleblowing framework; legal and regulatory compliance and staff safety, wellbeing and support.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the “Model Code”) which applies to all Directors and all relevant employees who are informed that they are subject to its provisions. Having made specific enquiry of all Directors, the Company’s Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

Board of Directors

Chairman and Managing Director

Code provision C.2.1 of the CG Code stipulated that the roles of the chairman of the board and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established.

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Company and its business by directing and supervising its affairs. The Chairman provides overall leadership and is responsible for effective functioning and leadership of the Board. The Managing Director focuses on business development and formulating strategic plans. The day-to-day management however has been delegated to the Executive Directors. Throughout the year, the positions of Chairman and Managing Director are held by Mr. Rudolf Bischof and Mr. Lincoln C. K. Yung respectively. On 1 January 2024, Mr. Rudolf Bischof has retired as Chairman of the Board and Mr. Nicholas Timothy James Colfer has been appointed as Chairman of the Board.

Board of Directors *(cont'd)*

Board Composition

The Board comprises seven Directors: two Executive Directors, four Independent Non-Executive Directors, and one Non-Executive Director. One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Board Independence Mechanism

The Company recognised the Board independence is a key to good corporate governance. As part of the established governance framework, the Group has in place effective mechanisms that underpin a strong independent Board and that independent views and inputs from Directors are conveyed to the Board. The governance framework and mechanisms are kept under regular review to align with intentional best practices.

The current composition of the Board (comprising more than one-third of Independent Non-Executive Directors) and the Audit Committee (comprising all Independent Non-Executive Directors) meets the independence requirements under the Listing Rules. The Audit Committee, Nomination Committee and Remuneration Committee are chaired by Independent Non-Executive Director.

The Independent Non-Executive Directors have and consistently demonstrated strong commitment, and the ability to devote sufficient time to discharge their responsibilities to the Board.

Each of the Independent Non-Executive Director has made an annual confirmation of independence. The Company considers all Independent Non-Executive Directors fulfilled the requirements pursuant to Rule 3.13 of the Listing Rules and be independent.

New appointment to the Board is subject to re-election at the next following Annual General Meeting. In addition, the appointment of an Independent Non-Executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. The Board will provide in the circular accompanying the annual report sent to shareholders the reason why the Board considers the Independent Non-Executive Director is still independent and its recommendation to the shareholders to vote in favour of the re-election of such Independent Non-Executive Director.

The Company has insurance coverage for its Directors and officers.

Board Process

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided in a timely manner. The Company Secretary keeps the minutes of Board meetings.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Board of Directors *(cont'd)*

The Board held four board meetings and an annual general meeting in 2023. Attendance of individual Directors is listed below:

		Board Meetings	Annual General Meeting
Executive Directors			
Mr. Lincoln C. K. Yung, JP, FHKIB	Managing Director	4/4	1/1
Ms. Jennie Chen	Assistant Managing Director and Financial Controller	4/4	1/1
Independent Non-Executive Directors			
Mr. Nicholas Timothy James Colfer ^(Note 1)	Chairman of the Board	2/3	1/1
Mr. Rudolf Bischof ^(Note 2)	Director	4/4	1/1
Mr. Robert Tsai To Sze	Director	4/4	1/1
Mr. Wong Chi Kwong Patrick	Director	4/4	1/1
Non-Executive Director			
Mr. John Con-sing Yung	Director	4/4	1/1

Notes:

1. Mr. Nicholas Timothy James Colfer was appointed as Chairman of the Board with effect from 1 January 2024.
2. Mr. Rudolf Bischof retired as Chairman of the Board with effect from 1 January 2024.

The Chairman meets at least annually with the Independent Non-Executive Directors without the presence of other directors, providing effective platform for the Chairman to listen to independent views on various issues concerning the Company.

Mr. Lincoln C. K. Yung is the father of Mr. John Con-sing Yung.

The Independent Non-Executive Directors and Non-Executive Director are appointed for a specific term and are subject to retirement by rotation.

Directors' Continuous Professional Development

All the Directors of the Company participate in continuous professional development to ensure they are informed and aware of the amendments and updates of the Listing Rules, Hong Kong Companies Ordinance and Corporate Governance Code.

Directors are provided with written materials from time to time, they attend seminars and the Company Secretary also arranges suitable in-house training on the latest development of rules and regulations for assisting the Directors in discharging their duties.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Directors' Continuous Professional Development *(cont'd)*

According to the records maintained by the Company, the Directors received the following training on continuous professional development during the year.

		Materials	In-house training/ seminars
Executive Directors			
Mr. Lincoln C. K. Yung, JP, FHKIB	Managing Director	√	√
Ms. Jennie Chen	Assistant Managing Director and Financial Controller	√	√
Independent Non-Executive Directors			
Mr. Nicholas Timothy James Colfer ^(Note 1)	Chairman of the Board	√	√
Mr. Rudolf Bischof ^(Note 2)	Director	√	√
Mr. Robert Tsai To Sze	Director	√	√
Mr. Wong Chi Kwong Patrick	Director	√	√
Non-Executive Director			
Mr. John Con-sing Yung	Director	√	√

Notes:

1. Mr. Nicholas Timothy James Colfer was appointed as Chairman of the Board with effect from 1 January 2024.
2. Mr. Rudolf Bischof retired as Chairman of the Board with effect from 1 January 2024.

Remuneration Committee

The Remuneration Committee was established by the Board on 25 May 2005. The written terms of which were revised on 7 December 2005, 7 May 2012 and 18 May 2012, and further revised on 2 September 2015. The Committee currently consists of four Independent Non-Executive Directors and the Managing Director.

The Committee met twice in 2023. Attendance of individual members is listed below:

	Attendance
Mr. Wong Chi Kwong Patrick – Chairman of the Remuneration Committee	2/2
Mr. Rudolf Bischof	2/2
Mr. Lincoln C. K. Yung, JP, FHKIB	2/2
Mr. Robert Tsai To Sze	2/2
Mr. Nicholas Timothy James Colfer	1/1

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. The remuneration of Directors and senior management is determined by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. In doing this, professional advice may be sought if considered necessary. No Director or any of their associates is involved in deciding their own remuneration.

Auditor's Remuneration

For the year ended 31 December 2023, fees paid/payable to the auditors of the Group for audit and non-audit services amounted to HK\$1,747,000 and HK\$1,528,000 respectively. The non-audit services mainly include tax compliance, ESG reporting advisory and company secretarial services.

Nomination Committee

The Nomination Committee was established by the Board on 21 March 2012. The written terms of which were revised on 2 September 2015 and 22 March 2023. The Committee consists of the four Independent Non-Executive Directors and the Managing Director.

The Committee met twice in 2023. Attendance of individual members is listed below:

	Attendance
Mr. Nicholas Timothy James Colfer – Chairman of the Nomination Committee ^(Note 1)	1/1
Mr. Rudolf Bischof ^(Note 2)	2/2
Mr. Lincoln C. K. Yung, JP, FHKIB	2/2
Mr. Robert Tsai To Sze	2/2
Mr. Wong Chi Kwong Patrick	2/2

Notes:

1. Mr. Nicholas Timothy James Colfer was appointed as Chairman of the Nomination Committee with effect from 1 January 2024.
2. Mr. Rudolf Bischof retired as Chairman of the Nomination Committee with effect from 1 January 2024.

The principal duty of the Committee is to review the structure, size and composition of the Board annually, to make recommendations regarding any proposed changes to complement the corporate strategy and to identify individuals suitably qualified to become Board members. The Committee also assesses the independence of the Independent Non-Executive Directors and makes recommendations to the Board on the appointment or reappointment of Directors in particular the Chairman and the Chief Executive. In doing this, professional advice may be sought if considered necessary.

During the year, the Nomination Committee also reviewed the implementation and effectiveness of mechanisms to ensure independent views and inputs are available to the Board.

The Nomination Committee noted Mr. Rudolf Bischof and Mr. Robert Sze as Independent Non-Executive Directors of the Company for more than nine years. Despite of long-term serving period, given their extensive business experience and not being involved in the Company's day-to-day management, the Nomination Committee considers that the long-term serving period would not affect the independent and objective perspectives they bring into the Company's affairs. Both have expressed objective views and given independent guidance to the Company over the years, and they continue demonstrating a firm commitment to their roles.

To enhance the independence of the Board, the Nomination Committee recommended the appointment of a new Independent Non-Executive Director, Mr. Nicholas Timothy James Colfer with effective from 22 March 2023.

Nomination Policy

The Board adopted a Nomination Policy on 5 December 2018 and further revised on 22 March 2023 to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirement of the Company's business. The Nomination Committee is responsible for nominating suitable candidates to the Board for consideration and selecting individuals nominated for directorship.

The Nomination Policy sets the following selection criteria are used as references by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity
- Accomplishment and experience
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service
- Independence of a candidate for the position as an Independent Non-Executive Director

The Nomination Committee will from time to time review this policy, as appropriate, to ensure the effectiveness of the policy and compliance with regulatory requirements and good corporate governance practice and make recommendations on any proposed revisions as may be required to the Board for approval.

The Nomination Policy is available under the Corporate Governance section of the Company's website at <http://www.nanyangholdingslimited.com>.

Board Diversity

The Board adopted a Board Diversity Policy on 7 November 2013 and further revised on 5 December 2018 and 22 March 2023. The Nomination Committee will monitor the implementation and effectiveness of the Policy on an annual basis.

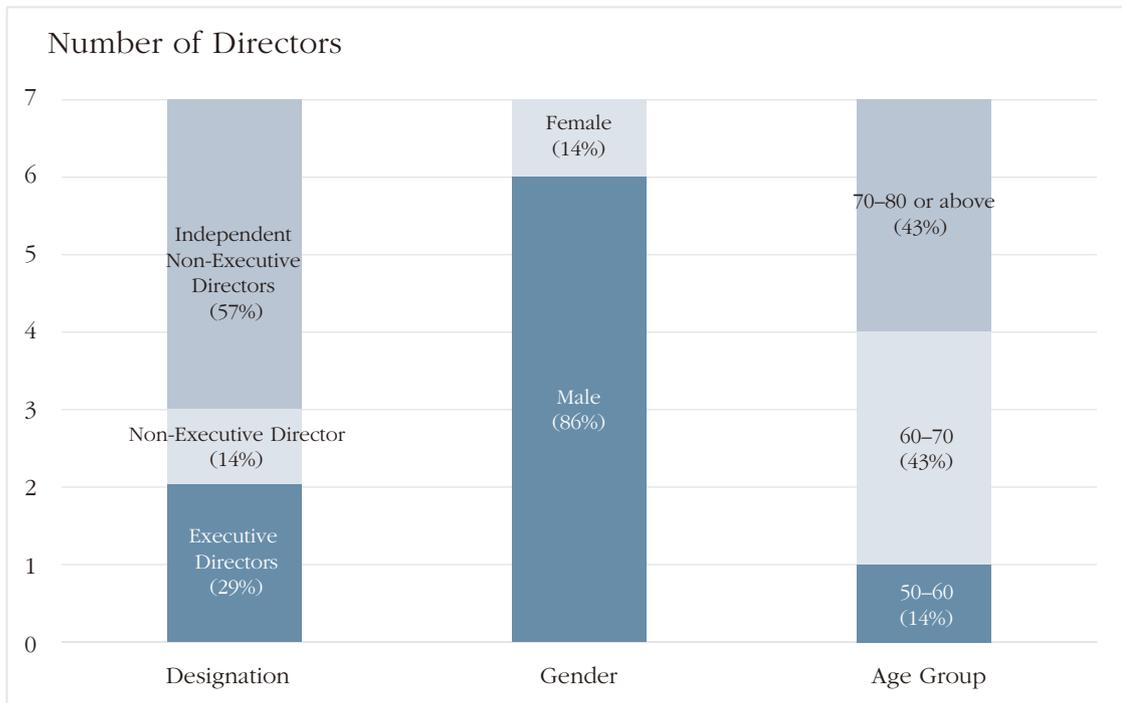
The Company believes that board diversity is essential in maintaining competitive advantage and sustainable development of the Company. The diversity also enables the Company to attract, retain and motivate employees from the widest possible pool of available talents.

The Company recognises and embraces the benefits of diversity at the Board level and has a commitment to diversity at all levels through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, and professional experience.

Board Diversity (cont'd)

The following charts show the diversity profile of the Board as of 31 December 2023:

Diversity Mix



The Company is committed to maintaining a Board made up of no less than one-third of Independent Non-Executive Directors, together with an appropriate level of female Member(s), which shall be more than 10% with immediate effect and not less than 20% by 2033. As of 31 December 2023, the gender diversity of the Board stands at a regular level by having 14% of female representative.

The Company strives to ensure that recruitment, selection practices, and training programme at all levels are appropriately structured so that a diverse range of candidates are considered. The Company has identified and implemented programs that will assist in developing a broader and more diverse pool of skilled and experienced employees. In time, their skills will prepare them for senior management and board positions.

The Board Diversity Policy is available under the Corporate Governance section of the Company's website at <http://www.nanyangholdingslimited.com>.

C O R P O R A T E G O V E R N A N C E

R E P O R T *(cont'd)*

Audit Committee

The Audit Committee was established by the Board on 25 September 1998. The Committee consists of the four Independent Non-Executive Directors, Mr. Robert Tsai To Sze, FCPA, Mr. Rudolf Bischof, Mr. Wong Chi Kwong Patrick and Mr. Nicholas Timothy James Colfer.

The Committee met twice in 2023. Attendance of individual members is listed below:

	Attendance
Mr. Robert Tsai To Sze, FCPA – Chairman of the Audit Committee	2/2
Mr. Rudolf Bischof	2/2
Mr. Wong Chi Kwong Patrick	2/2
Mr. Nicholas Timothy James Colfer	1/1

By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and the code provision C.3.3 of the CG Code, written terms of reference (the “Terms”) which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30 June 2005.

The amendments to the Code Provision adopted and incorporated in the Terms by the Board of the Company on 15 April 2009 and revised on 18 May 2012, 2 September 2015 and 2 December 2015, and further revised on 22 March 2023. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system, risk management, whistleblowing, and internal control systems.

During 2023, the Audit Committee met to review the 2022 annual report and accounts and the 2023 interim report and accounts and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence, thereafter reporting to the Board.

Whistleblowing Policy

The Company is committed to the highest standards of openness, probity, and accountability and to encourage employees of the Company and third parties to raise concerns, in confidence and anonymity, relating to the misconduct, malpractice, or irregularities in any matters related to the Company.

The Board adopted a Whistleblowing Policy on 5 December 2012 and further revised on 22 March 2023, so that employees of the Company, as well as relevant third parties who deal with the Company (“Third Parties”), can raise concerns, in confidence and anonymity, about suspected misconduct or malpractice by any staff and/or external parties in any matter related to the Company. The Company also ensures proper arrangements are in place for the fair and independent investigation of such matters and appropriate follow-up action.

The Audit Committee is responsible for implementing and maintaining the Whistleblowing Policy. All concerns raised will initially be investigated internally by the Audit Committee. The Company ensures proper arrangements are in place for the fair and independent investigation of such matters and appropriate follow-up action.

The Audit Committee will review this Policy from time to time.

The Whistleblowing Policy is available under the Corporate Governance section of the Company’s website at <http://www.nanyangholdingslimited.com>.

Anti-Corruption Policy

By reference to Code Provision D.2.7 of the CG Code, the Board of the Company prepared and adopted an Anti-Corruption Control Policy on 22 March 2023.

The Company promotes and supports anti-corruption laws and regulations by adopting and implementing an Anti-Corruption Control Policy to promote an anti-corruption culture and strengthen standards of conducts of its employees. Employees are required to conduct themselves with integrity, ethically, and properly, and be in compliance with all applicable laws and regulations of the Group’s jurisdictions, including anti-bribery laws. The Group strictly prohibits any form of bribery, corruption, or money laundering.

The Board reviews the Anti-Corruption Control Policy on an annual basis to ensure the framework and guidance are properly and adequately managed and implemented.

The Anti-Corruption Policy is available under the Corporate Governance section of the Company’s website at <http://www.nanyangholdingslimited.com>.

Risk Management and Internal Control

The Board acknowledges its responsibility to oversee and to ensure that sound and effective risk management and internal control systems are maintained on an ongoing basis so as to safeguard the Group's assets and the interests of shareholders. The Board is responsible for reviewing the risk management and the internal control policies and has delegated the day-to-day management of internal controls and operational risks to the Executive Directors.

The Directors are satisfied with the effectiveness of the Group's internal controls and consider that the key areas of the Group's system of internal controls are reasonably implemented. The internal controls should provide reasonable but not absolute assurance against material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting and ensure effective compliance with the Listing Rules and all other applicable laws and regulations.

The Group does not have an in-house internal audit function. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group. During the year, independent external professionals were hired to perform internal audit functions and a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems. They concluded that there were no material control design gaps and no material or significant issues with the operating effectiveness of the risk management and internal control environment.

To ensure the dissemination of inside information of the Company to the public and its shareholders in an equal and timely manner in accordance with the Listing Rules, applicable laws and regulatory requirement, a Policy on Disclosure of Inside Information has been established to set out the guidelines, procedures and internal controls for the handling and dissemination of inside information.

The Company has also established a Whistleblowing Policy under which employees who have concerns about any suspected misconduct or malpractice can raise their concern in confidence without fear of reprisal or victimisation.

Risk Management and Internal Control *(cont'd)*

Environmental, Social and Governance (“ESG”) Risk

The Board conducts regular evaluations to assess our enterprise risks, including ESG-related matters and climate-related issues. The Board strives to establish and maintain appropriate and effective risk management and internal control systems. During the year, a comprehensive high-level risk assessment was conducted, specifically targeting risks associated with core business activities such as strategic management, financial investment, property holding, investment monitoring and oversight, human resources, compliance with statutory and regulatory requirements, and finance. The high-level risk assessment report is presented in the Audit Committee meeting annually. Furthermore, the Board reviews the results of the Group’s overall ESG performance, ESG-related matters, and climate-related issues on an annual basis. Given the implementation of the Climate Action Plan 2050 by the HKSAR government, which aims to achieve carbon neutrality by 2050, the Board remains vigilant in monitoring relevant risks and opportunities. Consequently, the Board updates its strategy to effectively respond to climate change. In alignment with the government’s net-zero goal, the Group has developed specific directional environmental targets for reducing carbon emissions. To ensure the Group stays on track with the ESG targets and goals, our management team convenes regular meetings to review the effectiveness of the risk management systems and assess the progress made towards relevant ESG-related goals and targets during the year.

Directors’ Responsibility Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group’s annual results and interim results are announced in a timely manner.

The independent auditor’s report states the auditors’ reporting responsibilities.

Company Secretary

The Company Secretary, not being a full time employee of the Group, ensures that board procedures are followed and is responsible for advising the Board on governance matters and facilitating the induction and professional development of Directors. The primary contact at the Company with whom the Company Secretary has been contacting in respect of company secretarial matters is Ms. Jennie Chen, an Executive Director who is also Assistant Managing Director and Financial Controller, or her delegate.

During the year ended 31 December 2023, the Company Secretary has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

Shareholders' Rights

The Company established a Shareholder Communication Policy in order to provide shareholders with information about the Company and to enable them to exercise their rights in an informed manner and establish a two-way relationship and communication between the Company and its shareholders.

The Chairman of the Board, the Chairmen of the Board committees, members of the Board and external auditor will attend the annual general meeting of the Company at which the Directors will answer questions raised by the shareholders on the performance of the Group. To ensure the general meetings are conducted in a fair and transparent manner, each of the resolutions considered at the general meetings held in the past year has been voted by poll and the branch share registrar and transfer agent of the Company in Hong Kong was appointed as the scrutineers to count the votes and explain to the shareholders at the meetings the procedures for voting by poll. The poll results and other corporate communications were posted on and can also be downloaded from the websites of the Company at <http://www.nanyangholdingslimited.com> and the Stock Exchange respectively.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the year under review and believes the Shareholders' Communication Policy is still appropriate and effective.

The Company has also established procedures on how shareholders can convene a special general meeting; procedures for putting forward proposals at a general meeting by a shareholder and procedures for shareholders to propose a person for election as a Director.

The Shareholder Communication Policy is available under the Corporate Governance section of the Company's website at <http://www.nanyangholdingslimited.com>.

Constitutional Documents

For the purpose of bringing the Bye-laws up to date and in line with the Listing Rules and the applicable laws in Bermuda, and making other consequential and housekeeping amendments, the Company amended the existing Bye-laws during the year. The amendments to the Bye-laws was approved by the Shareholders at 2023 Annual General Meeting. The amended Bye-laws is available on the websites of the Stock Exchange and the Company.

On behalf of the Board

Nicholas Timothy James Colfer

Chairman

Hong Kong, 14 March 2024

The Board of Directors of Nanyang Holdings Limited (“the Company”) announces that for the year ended 31 December 2023 the Group reported a profit attributable to equity holders of HK\$49.0 million (2022: profit of HK\$12.3 million). The current year’s profit comprises the dividend from The Shanghai Commercial & Savings Bank, Ltd., in respect of its 2022 earnings, of approximately HK\$67.1 million (after netting 21% withholding tax); net realised and unrealised gains from financial assets at fair value through profit or loss of approximately HK\$35.7 million and the investment income from financial assets at fair value through profit or loss of HK\$4.8 million. It also includes the change in fair value of investment properties (including those owned by joint ventures) which resulted in a net loss of HK\$75.5 million (2022: loss of HK\$12.4 million). However, if excluding the net effect of the change in fair value of the investment properties (including those owned by joint ventures), 2023 would have shown a profit attributable to equity holders of HK\$124.5 million (2022: HK\$24.7 million). Total earnings per share were HK\$1.44 (2022: HK\$0.36). However, if the net effect of the change in fair value of the investment properties had been excluded, earnings per share would have been HK\$3.67 (2022: HK\$0.73). The Group’s net asset value per share increased from HK\$149.12 (at 31/12/2022) to HK\$153.36 (at 31/12/2023). A fair value gain of approximately HK\$130.7 million for the financial assets at fair value through other comprehensive income was recorded in the other comprehensive income, as compared to a fair value loss of HK\$363.3 million in 2022.

The Directors recommend the payment of a final dividend of HK\$0.70 per share and a special dividend of HK\$0.60 per share, representing a total dividend distribution of approximately HK\$44.2 million (2022: final dividend of HK\$0.70 per share and a special dividend of HK\$0.30 per share, representing a total dividend distribution of approximately HK\$34.0 million).

Business Review and Prospects

Real Estate

Hong Kong

The high interest rate environment and the sluggish local economy continued to weigh on the local property market. In the second half of 2023, leasing activities at our industrial/office (I/O) building, Nanyang Plaza, in Kwun Tong, continued to be very slow. With ample supply of space available in the Kwun Tong area, new rentals were at a minimal and rental levels declined. In order to attract new tenants and to retain existing ones, we reduced the rental rates at a large margin and offered ample provisions such as long rent free periods. Of the 290,000 sq.ft. of I/O space the Group holds, approximately 82.7% is presently leased.

Shanghai

Sung Nan’s land use right and joint venture term expired on 31 May 2022 despite its business licence being extended to 31 May 2042. The business operation is ongoing. We are still in discussion with our Chinese Partner to resolve the land issue in order to continue the joint-venture.

Business Review and Prospects *(cont'd)*

Real Estate *(cont'd)*

Shenzhen

Southern Textile Company Limited, the joint venture of which the Group owns 45%, continued to report satisfactory results. Its main asset, a factory building, is fully leased to third parties. Business of the tenant who leased the ground and first floors has not improved.

Financial Investments

In the second half of 2023, the global economy performed better than expected although the economic environment remained challenging. As interest rates in the United States are expected to fall in the second half of 2024, performance of the U.S. equities market improved towards the end of the year. During this period, we increased investments in investment grade US\$ bonds and U.S. equities and reduced investments in Emerging Market equities. For the year ended 31 December 2023, the investment portfolios, including cash held in the portfolios, increased by approximately 10.1% year on year. Financial assets at fair value through profit or loss, classified as current assets, totalled HK\$405.2 million. This represented approximately 7.6% of the total assets of the Group. They comprised approximately 400 individual holdings. The Group recorded net realised and unrealised gains from financial assets at fair value through profit or loss of approximately HK\$35.7 million and investment income from financial assets at fair value through profit or loss of HK\$4.8 million. Equities comprised approximately 69% (of which U.S. 53.9%; European 17.1%; Japanese 3.3%; Asia ex-Japan and others 13.2% and Emerging Markets 12.5%), bonds 23.7% (of which U.S. 74.7%; European 18.1%; Emerging Markets and others 7.2%), commodities 4% and cash 3.3%.

2024 outlook remains uncertain due to geopolitical issues, wars in Europe and the Middle East, and, the U.S. presidential election which may create volatility in the markets. Also, China's recovery since reopening has proven to be slower than expected. Since the beginning of the year, we reduced China/Hong Kong equities and increased investment in India. As at 8 March 2024, the latest practicable date, the portfolios increased year-to-date by approximately 3.3% and the value, including cash held in the portfolios, stood at approximately US\$54.2 million or HK\$423.8 million. Recent measures announced by the PRC Government to support the property sector may help stabilize the economy and its equity market may perform better. As inflation is coming down and U.S. interest rates are expected to decline in the latter half of the year, we remain cautiously optimistic.

Business Review and Prospects *(cont'd)*

Financial Investments *(cont'd)*

The Group has an investment in a licensed bank, The Shanghai Commercial & Savings Bank, Ltd. (“SCSB”), a company incorporated in Taiwan. These shares are listed on the Taiwan Stock Exchange Corporation (Stock Code: 5876). The Group holds a total of 190,585,095 SCSB shares. This represents approximately 3.92% of the issued share capital of SCSB. This investment of HK\$2,234.3 million has been classified under non-current assets as financial assets at fair value through other comprehensive income (representing approximately 42.1% of the total assets of the Group). There is no intention to dispose of the investment within 12 months of this report date.

SCSB has 75 branches in Taiwan, one each in Hong Kong, Vietnam, Singapore and Wuxi, China. They also have four representative offices, in Jakarta, Indonesia, Bangkok, Thailand, Phnom Penh, Cambodia and Bac Ninh, Vietnam. In 2021, SCSB commenced redevelopment of its headquarters in Taipei. It is expected that the new headquarters should be completed and ready for occupation in 2024. SCSB holds a 57.6% interest in Shanghai Commercial Bank Limited (“SCB”) in Hong Kong. SCB has 44 branches in Hong Kong, three in China and four branches overseas. The audited net profit attributable to owners of SCSB for the year ended 31 December 2023 was approximately NT\$14,660.0 million (2022 same period: net profit of NT\$14,937.9 million). Total equity attributable to owners of SCSB at 31 December 2023 was approximately NT\$183,317.0 million (31/12/2022: approximately NT\$169,780.9 million). (These figures were extracted from SCSB’s website at <http://www.scsb.com.tw>.)

Financial Position

The Group’s investment properties with an aggregate carrying value of HK\$2,256 million (31/12/2022: HK\$2,317 million) have been mortgaged to a bank to secure general banking facilities. As at 31 December 2023 and 31 December 2022, no bank facilities were utilized. Debt to equity ratio decreased from 0.15% as at 31 December 2022 to 0.08% as at 31 December 2023. Debt was represented by lease liabilities, equity was total equity of the Group. At the end of the year, the Group had net current assets of HK\$483.5 million (31/12/2022: HK\$393.5 million).

Employees

Ms. Yung Ka Sing, Kathryn, a daughter of Mr. Lincoln C.K. Yung (the Managing Director of the Company), a sister of Mr. John Con-sing Yung (Non-Executive Director of the Company) and a granddaughter of the late Mr. Hung Ching Yung, was appointed as Chief Investment Officer of the Company, with effect from 14 March 2024. Her job duties include review of the financial portfolios and all other investments held by the Company and evaluation of new investment opportunities. She was the Regional Client Leader of the Asia Pacific region for Allspring Global Investments (Hong Kong) Limited (previously known as Wells Fargo Asset Management (“WFAM”)) and has over 25 years experience in the asset management and banking industries. She holds a bachelor’s degree in economics (cum laude) from Harvard University and has earned the right to use the Chartered Financial Analyst® (CFA®) designation and is a member of CFA Institute and CFA Society Hong Kong.

The Group employed 13 employees as at 31 December 2023 (2022: 12). Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries and discretionary bonuses are reviewed annually. The Group also provides other benefits including medical cover and provident fund.

On behalf of the Board of Directors, I would like to take this opportunity to thank the entire staff for their contribution to the Group. Our prime interest has always been to ensure the wellbeing and health of our staff.

Nicholas Timothy James Colfer

Chairman

Hong Kong, 14 March 2024

About This Report

The Board of Directors of the Company (the “Board”) recognises that it has overall responsibility for the Environmental, Social and Governance (“ESG”) strategy and reporting of the Group. This ESG report (“this Report”) summarises the Group’s business practices in Hong Kong regarding its ESG issues and strategies implemented in response to the expectations of stakeholders and the public.

Reporting Period and Scope

The scope of this Report covers the major operation of the Group in investment holding. This Report provides an overview of our key ESG performance in environmental protection, employment and labour practices, operating practices, and community investment.

This Report covers the period from 1 January 2023 to 31 December 2023 (“the Year”). There was no change to the reporting scope compared to the previous year.

Reporting Standards

This Report has been prepared in accordance with the “mandatory disclosure requirements” and adheres to the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide (“ESG Guide”) under Appendix C2 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited (“HKEx”).

Reporting Principles

This report has followed the Reporting Principles as set out in the HKEx ESG Reporting Guide to define the report content and to ensure the quality of information presented, including:

Materiality	Quantitative
Material topics are identified, assessed, reviewed and confirmed by senior management to ensure their significance.	Quantitative data are presented with calculation methods and relevant terms are defined.
Balance	Consistency
The ESG performance data is disclosed on an unbiased basis with a full picture of both our accomplishments for the Year and potential for enhancement in the future.	The data is calculated using consistent methodologies to allow effective year-over-year comparisons.

Board Statement

The Board serves as the highest governance body of the Group and assumes responsibility for steering the overall direction of the ESG strategies, initiatives and guidelines of the Group. Recognising the significance of ESG governance in ensuring the long-term sustainability of the Group's operations and development, the Board places great emphasis on its implementation. To ensure the effectiveness of our sustainability practices, the Board provides supervisory oversight to management, ensuring the integration of ESG considerations into the Group's key business decisions and monitoring the Group's ESG performance. The senior management, operating under the purview of the Board, is responsible for monitoring sustainability matters in operations, reviewing stakeholder feedback and updating ESG-related guidelines. Regularly, our management reports to the Board on the Group's ESG management approach and provides updates on the overall ESG performance.

The Board conducts regular evaluations to assess our enterprise risks, including ESG-related matters and climate-related issues. The Board strives to establish and maintain appropriate and effective risk management and internal control systems. During the Year, a comprehensive high-level risk assessment was conducted, specifically targeting risks associated with core business activities such as strategic management, financial investment, property holding, investment monitoring and oversight, human resources, compliance with statutory and regulatory requirements, and finance. The high-level risk assessment report is presented in the Audit Committee meeting annually. Furthermore, the Board reviews the results of the Group's overall ESG performance, ESG-related matters, and climate-related issues on an annual basis.

Stakeholder Engagement and Materiality Assessment

The Group is dedicated to fostering an open and transparent communication with our stakeholders, aiming to comprehend their aspirations, gather their feedback, and address their concerns accordingly. The Group has established continuous engagement with stakeholders through diverse channels. By soliciting the key interests and concerns of our stakeholders, we gain valuable insights that assist identifying and prioritising material ESG issues for our future development.

Stakeholder Groups	Areas of ESG Concerns	Engagement Channels
HKEx	<ul style="list-style-type: none"> • Compliance with the Listing Rules • Timely and accurate announcements 	<ul style="list-style-type: none"> • Meetings • Trainings and seminars • Company's website and announcements
Government and regulatory authorities	<ul style="list-style-type: none"> • Operational compliance • Tax payment regulations and compliance • Disclosure of information and submission of materials 	<ul style="list-style-type: none"> • Annual reviewal process • Company's website and announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

Stakeholder Engagement and Materiality Assessment *(cont'd)*

Stakeholder Groups	Areas of ESG Concerns	Engagement Channels
Investors	<ul style="list-style-type: none"> Business strategies and performances Effective corporate governance Sustainable profitability 	<ul style="list-style-type: none"> General meetings Financial reports and announcements Company's website
Suppliers	<ul style="list-style-type: none"> Payment schedule Demand stability Operational compliance Quality services and products 	<ul style="list-style-type: none"> Meetings Conference calls and interviews
Employees	<ul style="list-style-type: none"> Rights and benefits of employees Training and development Working environment and occupational safety Equal opportunities 	<ul style="list-style-type: none"> Regular meetings Employee training
Community	<ul style="list-style-type: none"> Community investment 	<ul style="list-style-type: none"> Donation programmes

The Group has identified a variety of ESG issues that could potentially influence our sustainable development planning, including the ESG issues outlined in the Group's previous ESG report, internal guidelines, regulatory requirements, industry trends, market practices, and areas of ESG concerns raised by our stakeholders as set out above. The table below presents a summary of the ESG issues deemed material to the Group's overall ESG performance:

ESG aspect set forth in the ESG Guide	Material ESG issues for the Group	Boundaries and Impacts						
		Employees	Business Partners	Community Partners	Corporate Clients	Retail Customers	Shareholders and Investors	Supplier and Contractors
A. Environmental								
A1 Emissions	Emission and waste management	✓	✓	✓	✓	✓	✓	✓
A2 Use of resources	Use of electricity and water	✓	✓	✓	✓	✓	✓	✓
A3 The environment and natural resources	Measures to minimise the adverse impact on the environment	✓	✓	✓	✓	✓	✓	✓
A4 Climate change	Climate risks and opportunities	✓	✓	✓	✓	✓	✓	✓

Stakeholder Engagement and Materiality Assessment *(cont'd)*

ESG aspect set forth in the ESG Guide	Material ESG issues for the Group	Boundaries and Impacts						
		Employees	Business Partners	Community Partners	Corporate Clients	Retail Customers	Shareholders and Investors	Supplier and Contractors
B. Social								
B1 Employment	Working conditions and employee care	✓					✓	
B2 Health and safety	Health and safety workplace	✓		✓	✓	✓	✓	✓
B3 Development and training	Staff development and training	✓					✓	
B4 Labour standards	Employee wellbeing	✓					✓	
B5 Supply chain management	Supply chain management	✓			✓	✓		✓
B6 Product responsibility	Quality assurance and product responsibility	✓			✓	✓		✓
B7 Anti-corruption	Anti-corruption training and measures	✓	✓	✓	✓	✓	✓	✓
B8 Community investment	Charity donations			✓				

Anti-corruption and Whistleblowing

The Group understands the essential role of ethical business practices in securing our long-term business success. We strictly adhere to all applicable laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong). Our commitment lies in operating our business with integrity, transparency and accountability. We maintain a zero tolerance approach towards any form of corruption, bribery, extortion, fraud and money laundering. To uphold these principles, the Group implemented a Whistleblowing Policy in 2012, which was reviewed by the Board during the Year. This policy further enhanced to provide employees with a confidential channel to report observed and suspected misconducts, irregularities and malpractices to the Chairman of the Audit Committee. All concerns raised will go through an internal investigation and, if necessary, consultation with legal advisors for potential referral. Our employees are well-informed about all the business principles through regular internal orientations and trainings.

Anti-corruption and Whistleblowing *(cont'd)*

During the Year, we obtained training materials from the Independent Commission Against Corruption (“ICAC”) on various business ethics topics such as anti-corruption and whistleblowing. We encouraged our directors and staff to read to enhance their awareness. Looking forward, the Group plans to invite representatives from the ICAC to conduct regular trainings for our employees to raise awareness and promote best practices to prevent unintentional breaches of laws.

Throughout the Year, there were no reported cases of non-compliance with regard to bribery, extortion, fraud and money laundering in our business operations nor any concluded legal cases regarding corrupt practices brought against the Group or our employees.

Environmental Protection

The primary activity of the Group is investment holding. During the Year, the Group did not directly engage in the construction of property and considers its operations to have minimal environmental impact as it has not operated in environmentally sensitive business. The Group maintains strict adherence to the applicable environmental laws and regulations governing our business activities, including the Buildings Energy Efficiency Ordinance (Chapter 610 of the laws of Hong Kong), the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong) and Dangerous Goods Ordinance (Cap. 295 of the Laws of Hong Kong).

During the Year, the Group was not aware of any non-compliance cases regarding emissions, sewage discharge, and waste generation in its operations within Hong Kong.

Energy Conservation and Reducing Emissions

As a responsible business operator, the Group is committed to conducting its operation in a sustainable manner. The Group provides our employees with guidance on the key actions to reduce energy consumption and greenhouse gas (“GHG”) emissions within our office premises. Our commitment extends to reducing GHG emissions and energy usage in our investment properties. The property manager in our investment properties plays a crucial role in implementing green initiatives and monitoring the utilisation status of the electrical appliances. For instance, our property manager has established an ESG Integrated Management System Policy Statement in place with ISO 14001 certification that is applicable to our building. As part of our energy-saving efforts, the idle engines and electrical appliances are switched off when not in use to conserve energy.

Environmental Protection *(cont'd)*

Energy Conservation and Reducing Emissions *(cont'd)*

Further to that, the Group has adopted an advanced lighting management system with an automatic timer control to turn off the unused lights. Traditional fluorescent tubes have been replaced with energy-efficient lamps and Light Emitting Diode (“LED”) lights at car parks and common areas, aiming to enhance energy efficiency and reducing GHG emissions. Additionally, the number of passenger-lifts available was reduced for service beyond working hours to achieve energy savings. We also collaborate with the property manager who enables us to upgrade the building facilities and monitor the electricity usage effectively. Given that the energy consumption primarily relies on electricity, we and the property management company regularly review the effectiveness of the existing energy-saving initiatives. With these energy-saving initiatives equipped, Nanyang Plaza was awarded the Energywise Certificate – Basic Level issued by the Hong Kong Green Organisation. Additionally, the building achieved a 34.0% reduction in Energy Utilization Index, as verified by the EMSD’s energy audit.

We continuously explore opportunities to minimize the energy consumption in the long term as directional target. The Group actively takes steps to minimize GHG emissions through proactive building management and strengthen energy consumption efficiency through application of innovative technologies to meet its reduction targets.

Responding to Climate Change

Governance and Strategy

Given the implementation of the Climate Action Plan 2050 by the HKSAR government, which aims to achieve carbon neutrality by 2050, the Board remains vigilant in monitoring relevant risks and opportunities. Consequently, the Board updates its strategy to effectively respond to climate change. In alignment with the government’s net-zero goal, the Group has developed specific directional environmental targets for reducing carbon emissions. To ensure the Group stays on track with the ESG targets and goals, our management team convenes regular meetings to review the effectiveness of the risk management systems and assess the progress made towards relevant ESG-related goals and targets during the Year.

Climate Risk Assessment

Although we anticipate that climate change will not have direct significant impacts on our business operation as an investment holding company, we remain fully aware of the potential consequences. In the future, we are committed to allocating substantial resources and efforts to address any emerging climate-related risks and developing action plans for mitigation and adaptation measures.

The Group acknowledges that climate change poses one of the biggest challenges to the global community, and understands the importance of enhancing the resilience of our business to climate-related risks and mitigate their adverse effects. Looking forward, to better determine the Group’s risk exposure and test our climate resilience strategies, we will conduct assessments climate-related risks and opportunities with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Environmental Protection *(cont'd)*
Responding to Climate Change *(cont'd)*
Climate Risk Assessment *(cont'd)*

Acute Physical Risk:

Risks that are associated with extreme weather events, such as typhoon, intense precipitation, and floods.

Potential Impact:

These risks have the potential to heighten health and safety hazards to our staff and consumers, escalate insurance premiums and lead to business interruption.

Our Response:

The Group is developing operational procedures to address the challenges posed by the rainy season and extreme weather events, with a focus on safeguarding the health and safety of our employees.

Transition Risk – Policy and Legal:

New policies and regulations relating to a low-carbon economy transition put forth by the government.

Potential Impact:

Stricter policy requirements towards decarbonisation may cause the increase in capital investments and potential penalties for non-compliance.

Our Response:

The Group will keep abreast of the latest regulatory development to ensure full compliance with the applicable laws and regulations in the jurisdictions that we operate.

Chronic Physical Risk:

Risks linked to longer-term changes in climate patterns, such as prolonged high temperature, alteration in precipitation patterns.

Potential Impact:

Enduring climate changes, such as rising average temperatures at our operation sites could potentially increase operating and maintenance expenses.

Our Response:

The Group is progressively upgrading its facilities by incorporating climate-resilient elements. Also, we have implemented Contingency Plans for Emergencies that outline the responsibilities of relevant departments and property management team in response to climate hazards.

Transition Risk – Reputation:

Growing public expectation for a transition to a lower-carbon economy may cause reputational impact on the business.

Potential Impact:

The Group's reputation would be negatively affected if it fails to take proactive steps to address climate change and meet the public expectations.

Our Response:

The Group is exploring the opportunities to transit its operations into low-carbon practices to prevent negative perceptions associated with a lack of progress.

The Group regularly reviews the impacts of climate change on its operation and develop measures to address the physical and transition risks to minimise the impact of climate change to the Group and foster sustainable operations in future.

Environmental Protection *(cont'd)*

Water Conservation

The Group is committed to minimising water consumption and advocating the efficient utilisation of water in our building. Given that the primary water consumption of the Group arises mainly from general office use, our property manager conducts regular technical assessment of the building's water usage and perform water pipe leakage tests to prevent unnecessary leaks. Moreover, we have implemented measures to raise our employees' awareness on water conservation and encourage our tenants to conserve water.

The Group will further promote the sustainable use of water resources and continue to evaluate our existing water conservation initiatives. The Group has set a long-term target of reducing water consumption intensity and enhancing water efficiency going forward. In pursuit of this objective, the Group will keep track on our sustainability performance against our predefined targets.

Waste Management

The primary waste generated in the Group's office are paper and general waste. To promote waste reduction and encourage the circular use of resources in our office, we have provided clear guidelines to our employees for the disposal and recycling of hazardous and non-hazardous waste. For example, the Group follows the principle of the "4Rs" ("Reduce, Reuse, Recycle and Replace") in environmental management of office garbage and recyclable waste by allocating recycle bins in the offices to facilitate the proper recyclables separation. We continue to promote responsible office practices to raise employee awareness on environmental protection. This includes reminders to employees to reuse envelopes and adopt double-sided printing. The Nanyang Plaza also received the Certification of Appreciation issued by ECO Drive Hong Kong for participating in Enough Plastic 2023 and contributing to make Hong Kong a cleaner and safer living environment. To achieve a long-term goal of non-hazardous waste reduction, the Group emphasizes waste reduction at source and encourage the procurement of recyclable or reusable products in the workplace. Through awareness campaigns and training initiatives, we aim to foster responsible office practices among our employees. Moving forward, the Group aims to reduce waste generation by optimising resource usage, effective waste management strategies and promoting circular solutions.

As the Group's primary activity is investment holding and does not involve the sale of physical goods, so hazardous waste and packaging materials are not considered as material topics to the Group's operation. Nonetheless, in our commitment to long-term sustainable operation, the Group will remain dedicated to prevent the excessive consumption of packaging and hazardous materials. We strive to use sustainable, recyclable, and biodegradable packaging materials instead.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

Environmental Performance Data Summary

The following table summarises our environmental performance in 2021, 2022 and 2023.

Indicators	Unit	2023	2022	2021
GHG emissions				
Total GHG emissions	tonne CO ₂ equivalent (tCO ₂ e)	1,919.82	2,173.04	2,336.62
Total GHG emissions intensity ¹	tCO ₂ e/Revenue HK\$'000	0.01	0.01	0.01
Scope 1 Emissions ²	tCO ₂ e	0.65	0.39	0.27
Scope 2 Emissions ³	tCO ₂ e	1,919.17	2,172.65	2,336.35
Energy consumption				
Total energy consumption	kWh	2,824,991.81	3,087,278.49	3,291,705.41
Total energy consumption intensity	kWh/Revenue HK\$'000	17.62	18.76	19.52
Total direct energy consumption⁴				
Diesel	kWh	2,675.81	1,605.49	1,070.41
Direct energy consumption intensity	kWh/Revenue HK\$'000	0.02	0.01	0.01
Total indirect energy consumption				
Purchased electricity	kWh	2,822,316	3,085,673	3,290,635
Indirect energy consumption intensity	kWh/Revenue HK\$'000	17.60	18.75	19.51
Water consumption				
Total water consumption	m ³	8,818	7,747	6,799
Water consumption intensity	m ³ /Revenue HK\$'000	0.05	0.05	0.04
Waste management and packaging materials				
Total hazardous waste produced	tonne	0	0	0
Hazardous waste intensity	tonne/Revenue HK\$'000	0	0	0
Total non-hazardous waste produced ⁵	tonne	0.74	0.73	0.73
Non-hazardous waste intensity	tonne/Revenue HK\$'000	0.0000046	0.0000044	0.0000043
Total packaging material	tonne	N/A	N/A	N/A

¹ The revenue of the Group in 2023 was HK\$160,344,000 which is the basis for energy, electricity, GHG, water and waste intensity calculations.

² The data includes GHG emissions from the combustion of fuels in stationary combustion sources is calculated based on the emission factors in the "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx. The global warming potential is referred to in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change ("IPCC").

³ Scope 2 emissions are indirect GHG emissions from the consumption of purchased electricity by the Company. The emissions factors for Hong Kong-based operations referenced the emission intensity published by Hong Kong Electric ("HKE") in 2021.

⁴ Energy consumption from fossil fuels in the use of stationary combustion sources is calculated with reference to "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx.

⁵ Non-hazardous waste data is based on the daily estimated volume of 3KG general waste in offices.

Employment and Labour Practices

As a responsible employer, the Group strives to foster an equal, healthy and inclusive workplace environment for our employees. We ensure compliance with relevant laws and regulations including Employment Ordinance (Cap. 57 of the laws of Hong Kong), Employees' Compensation Ordinance (Cap. 282 of the laws of Hong Kong), Sex Discrimination Ordinance (Cap. 480 of the laws of Hong Kong), Disability Discrimination Ordinance (Cap. 487 of the laws of Hong Kong), Family Status Discrimination Ordinance (Cap. 527 of the laws of Hong Kong) and Race Discrimination Ordinance (Cap. 602 of the laws of Hong Kong).

During the Year, the Group was not aware of any incidents of non-compliance with all the applicable laws and regulations related to employment.

Employment

The Group remains steadfast to nurturing an inclusive and motivated workplace culture, striving to create an environment that values diversity and employee empowerment. To ensure operational efficiency and streamlining the workflow, we manage the standardised procedures for employee recruitment, resignation, promotion and other processes. Additionally, we strive to establish a fair recruitment system that upholds equal opportunities for all candidates irrespective to their nationality, gender, age, race, religious belief or disability. Remuneration is determined based on the qualifications and experience of the staff concerned, with salaries and discretionary bonuses undergoing annual reviews to ensure competitiveness. In our effort to attract and retain talents, we provide comprehensive benefits, such as medical coverage and provident fund. When an employee resigns, the Group may arrange an exit interview to gain better insights into their reasons of resignation and payment of outstanding wages will be made pursuant to the requirements of the relevant laws and regulations. To foster a culture of open communication and continuous improvement, we regularly collect feedback from employees, valuing their opinions and insights.

Our commitment to work-life balance is demonstrated through the implementation of a flexible five-day work arrangement, accommodating the individual needs and commitments of our employees.

We prioritise the health and well-being of our staff and their families, maintaining a zero-tolerance policy against any form of harassment or discrimination. Our commitment to a safe, respectful, and inclusive working environment remains unwavering.

Employment and Labour Practices *(cont'd)*

Health and Safety

Protecting health and safety of our employees is of paramount importance to us. The Group fully complies with all relevant safety regulations including the Occupational Safety and Health Ordinance (Cap. 509 of the laws in Hong Kong). To safeguard our employees, the Group has established contingency measures and provides clear guidance on special work arrangements under typhoons, rainstorms, serious communicable diseases, etc. Regular reviews of working conditions are conducted by management to identify any potential hazards or risks that may impact individual employees.

The Group strive to provide a safe work environment and to ensure that our work environment is adhered to the requirements of relevant laws and regulations. Besides, in adherence to regulations, the Group conducts regular inspections and replacements of fire extinguishers to guarantee their proper functioning in the event of an emergency. Building safety is ensured by through regular inspection and scheduled maintenance performed by qualified specialists.

During the Year, the Group was not aware of any violations of safety laws and regulations and no work injuries or lost workdays due to work-related injuries have been recorded.

Development and Training

The Group believes the significance of talent development in sustaining our business competitiveness. We offer a diverse range of internal and external training programs to management, ensuring they stay abreast of market knowledge. During the Year, several online training materials were made available to the management and the directors, offered by professional bodies. These materials covered across various topics such as the capital market development in China and Asia, development on corporate governance and compliance, anti-corruption and anti-money laundering and updates on the Mandatory Provident Fund. Moreover, we place great importance on the training and development of non-managerial staff. Comprehensive training programs, both online and offline, are designed to enhance their skills and knowledge of our office staff, covering various aspects to their roles.

Labour Standards

Whilst our industry is generally considered to have a relatively lower inherent risk, the Group remains committed to upholding internationally accepted labour standards and strictly prohibiting the use of child and forced labour. To prevent such practices, we have implemented stringent measures. During the candidate selection process, the Group performs background check and conducts detailed interview screening procedures to verify the authenticity of personal data stated on application forms. In order to prevent forced labour, the work duties and responsibilities of employees are clearly communicated and documented on the employee contract. Should any incidents related to child labour or forced labour arise, the Group promptly investigates the cases and takes appropriate actions in accordance with relevant laws and regulations. We maintain a zero-tolerance policy towards such labor practices and prioritise the well-being and rights of our employees. The Group also expects our business partners and suppliers to observe and comply with the same standard of labour practices.

During the Year, the Group was not aware of any incidents of non-compliance with all applicable laws and regulations related to anti-child and anti-forced labour practices.

Operating Practices

Supply Chain Management

The Group is committed to engaging and maintaining productive and mutually beneficial working relationships with our business partners, primarily comprising suppliers and service providers in Hong Kong. As part of our commitment to sustainable procurement, we prioritise the adherence of social standards by our suppliers and service providers. To mitigate procurement risks within our supply chain, we conduct regular reviews of product and service quality. We also evaluate the environmental, health and safety performance and social practices, of our suppliers and service providers. This helps us ensure that our partners uphold the necessary standards and align with our sustainability goals. Looking ahead, the Group aims to incorporate environmental considerations into the procurement process. This entails selecting suppliers that are geographically closer and more accessible to the sites, thus reducing carbon footprint. In the future, we prioritise environmentally friendly materials and office goods, so as to raise the suppliers' awareness of sustainable development practices.

Product Responsibility

The Group primarily operates as an investment holding company. To ensure the effective management of our leased property, we have engaged a reputable third-party company with international recognition. The property manager assumes primary responsibility for the quality of our leased property. As a responsible business operator, the Group conducts regular site inspections and holds regular meetings with the property manager to ensure the conditions of building services. We also perform annual reviews and evaluations of the property manager's performance, providing feedback to identify the improvement areas.

To collect and handle customer concerns, complaint handling mechanisms are implemented at our leased property. Upon receiving complaints, we document them and promptly follow up to address the issues at hand in a timely manner. These complaints and any related incidents are discussed during meetings to identify causes and evaluate the appropriateness of resolutions, with the aim of improving future service quality.

Recognising the importance of protecting intellectual property rights, the Group strictly complies with all relevant laws and regulations in Hong Kong. We have communicated with our employees about the proper procedures for software installation to avoid infringement of the intellectual property rights.

Safeguarding and protecting the personal information of our employees and our tenants is a priority for the Group. We are committed to strict compliance with the relevant laws and regulations, such as the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). The collection and usage of personal data are carried out in a responsible and non-discriminatory manner, limited to the purposes stated in legal documents.

The Group is committed to protecting customer privacy, handling individuals' private information with utmost care and maintaining strict confidentiality. Access to such information is restricted to authorized personnel only. During the Year, the Group did not receive any complaints regarding breaches of privacy or loss of personal data.

Community Investment

We partner with charitable organisations to seek sustainable solutions for addressing social challenges. During the Year, the Group extended its support to various local organisations and charities dedicated to assisting the underprivileged. Donations were made to notable beneficiaries such as the Community Chest of Hong Kong, St. James Settlement, and Little Sisters of the Poor. Our contributions aimed to make a positive impact on the lives of those in need and foster a more inclusive society.

Social Data Performance Summary

Indicators	Unit	2023	2022	2021
Employee Profile				
Total workforce	No. of employees	13	12	13
Total workforce by employment type				
Full-time	No. of employees	12	12	13
Part-time	No. of employees	1	–	–
Total workforce by gender				
Male	No. of employees	6	6	7
Female	No. of employees	7	6	6
Total workforce by employee category				
Non-Managers	No. of employees	8	9	9
Managers	No. of employees	3	1	1
Top Managers	No. of employees	2	2	3
Total workforce by geographical region				
Hong Kong	No. of employees	13	12	13
Total workforce by age group				
29 or below	No. of employees	–	–	–
30–39	No. of employees	–	–	–
40–49	No. of employees	1	2	1
50–59	No. of employees	5	4	4
60 or above	No. of employees	7	6	8

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

Social Data Performance Summary *(cont'd)*

Indicators	Unit	2023	2022	2021
Employee Turnover⁶				
Employee turnover rate	Percentage	0%	33%	0%
Employee turnover rate by gender				
Male	Percentage	0%	50%	0%
Female	Percentage	0%	17%	0%
Full-time employee's turnover rate by age group				
29 or below	Percentage	0%	0%	0%
30-39	Percentage	0%	0%	0%
40-49	Percentage	0%	0%	0%
50-59	Percentage	0%	75%	0%
60 or above	Percentage	0%	17%	0%
Health and Safety				
Work related fatalities occurred	No. of cases (Percentage)	0 (0%)	0 (0%)	0 (0%)
Lost days due to work injury ⁶	Days	0	0	0
Development and Training				
Full-time employees trained	No. of employees (Percentage)	10 (83%)	10 (83%)	7 (54%)
Full-time employee trained by gender				
Male	No. of employees (Percentage)	4 (67%)	4 (67%)	4 (57%)
Female	No. of employees (Percentage)	6 (100%)	6 (100%)	3 (43%)

⁶ There were no work-related fatalities reported to the Group in the past three years including the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

Social Data Performance Summary *(cont'd)*

Indicators	Unit	2023	2022	2021
Employees trained by employee category				
Non-Managers	No. of employees (Percentage)	7 (88%)	7 (78%)	3 (75%)
Managers	No. of employees (Percentage)	1 (50%)	1 (100%)	1 (100%)
Top Managers	No. of employees (Percentage)	2 (100%)	2 (100%)	3 (100%)
Average number of training hours completed per full-time employees				
Full-time employees trained	Hours	4.2	3.44	6.31
Average training hours per full-time employees by gender				
Male	Hours	4.33	3.08	7.28
Female	Hours	4.06	3.79	5.17
Average training hours per full-time employees by employee category				
Non-Managers	Hours	0.88	0.39	0.33
Managers	Hours	4.6	0.50	2
Top Managers	Hours	19.38	18.63	25.67
Supply Chain Management				
Total number of suppliers	No. of suppliers	29	29	23
Number of suppliers by geographic location				
Hong Kong	No. of suppliers	29	29	23
Community investment				
Amount of money donated/contributed to focus area of contribution				
Care for the underprivileged	HKD	4,000	3,000	6,000

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

HKEx ESG Guide Context Index

Aspects, General Disclosure, KPIs	Description	Reference and Remarks	Page no.
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection	p.34
KPI A1.1	The types of emissions and respective emissions data.	The Group does not generate a significant amount of air emissions in business operations.	N/A
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	p.38
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	The Group does not generate a significant amount of hazardous waste in business operations.	N/A
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	p.38
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Energy Conservation and Reducing Emissions	p.34–35
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	p.37

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

HKEx ESG Guide Context Index *(cont'd)*

Aspects, General

Disclosure, KPIs Description Reference and Remarks Page no.

Aspect A2: Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Conservation and Reducing Emissions Water Conservation Waste Management	p.34–37
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Environmental Performance Data Summary	p.38
KPI A2.2	Water consumption in total and intensity.	Environmental Performance Data Summary	p.38
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Conservation and Reducing Emissions	p.34–35
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Conservation	p.37
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group does not use packaging materials in business operations.	N/A

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

HKEx ESG Guide Context Index *(cont'd)*

Aspects, General

Disclosure, KPIs Description Reference and Remarks Page no.

Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection Energy Conservation and Reducing Emissions Water Conservation Waste Management	p.34–37
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KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	As the principal activity of the Group is investment holding, the adverse environmental impact arising from the course of business activities and operations is considered to be low.	N/A
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Aspect A4: Climate Change

General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Responding to Climate Change	p.35–36
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KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Responding to Climate Change	p.35–36
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

HKEx ESG Guide Context Index *(cont'd)*

Aspects, General

Disclosure, KPIs	Description	Reference and Remarks	Page no.
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Aspect B2: Health and Safety *(cont'd)*

KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Data Performance Summary	p.42–44
KPI B2.2	Lost days due to work injury.	Social Data Performance Summary	p.42–44
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employment and Labour Practices Health and Safety	p.39–40

Aspect B3: Development and Training

General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices Development and Training	p.39–40
KPI B3.1	The percentage of employees trained by gender and employee category.	Social Data Performance Summary	p.42–44
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Data Performance Summary	p.42–44

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(cont'd)*

HKEx ESG Guide Context Index *(cont'd)*

Aspects, General

Disclosure, KPIs Description Reference and Remarks Page no.

Aspect B6: Product responsibility

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	p.41
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Our business nature does not involve in the selling of goods or products.	N/A
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility Our business nature does not involve in the selling of goods or services and thus we do not receive product and services complaints.	p.41
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility The principal activity of the Group is investment holding, the topic on intellectual property rights is considered not material to our operations.	p.41
KPI B6.4	Description of quality assurance process and recall procedures.	Our business nature does not involve in the selling of goods or products.	N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	p.41

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Nanyang Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 58 to 119, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Key Audit Matters

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

The key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties held by the Group

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
<p>Valuation of investment properties held by the Group</p> <p>Refer to Notes 4.1 and 15 to the consolidated financial statements</p> <p>As at 31 December 2023, the Group's investment properties were stated at fair value of HK\$2,421,000,000.</p> <p>Management has engaged an independent external valuer to perform valuations of the investment properties. The fair values of investment properties were determined by the direct comparison approach. The key assumptions of average unit rates are determined based on the comparable market transactions and adjusted for property-specific qualitative factors.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none">• We understood management's valuation process of the investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.• We evaluated the competence, capabilities and objectivity of the independent external valuer.• We obtained the valuation reports and held discussions with the independent external valuer to discuss the valuation methodology and key assumptions.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Key Audit Matters *(cont'd)*

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment properties held by the Group *(cont'd)*

We focus on this area because the fair values of investment properties are subject to significant judgements and estimation uncertainty.

Our procedures in relation to the valuation of investment properties included: *(cont'd)*

- We involved our in-house valuation experts to assess the appropriateness of the valuation methodology and the reasonableness of the key assumptions used in the valuations of investment properties based on our knowledge of the property industry and with reference to available market data; and
- We tested the data used in the valuations of the investment properties, on a sample basis.

Based on the procedures performed, we found the methodology used in preparing the valuations was appropriate and the key assumptions were supportable in light of available evidence.

Other Information

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 judgement and maintain professional scepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NANYANG HOLDINGS LIMITED *(cont'd)*

(Incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(cont'd)*

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Nga Sze.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2024

CONSOLIDATED INCOME STATEMENT

For the Year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	5	160,344	164,590
Other income/(losses)	5	35,670	(69,520)
Revenue and other income/(losses)	5	196,014	95,070
Direct costs	6	(20,149)	(18,316)
Gross profit		175,865	76,754
Administrative expenses	6	(36,202)	(34,005)
Other operating expense, net	8	(1,117)	(2,509)
Changes in fair value of investment properties		(73,000)	(5,159)
Operating profit		65,546	35,081
Finance income	9	1,909	813
Finance expense	9	(155)	(212)
Share of profit/(losses) of joint ventures		3,129	(541)
Profit before income tax		70,429	35,141
Income tax expense	10	(21,468)	(22,873)
Profit attributable to equity holders of the Company		48,961	12,268
Earnings per share (basic and diluted)	11	HK\$1.44	HK\$0.36

The notes on pages 64 to 119 are an integral part of these financial statements.

C O N S O L I D A T E D S T A T E M E N T O F

C O M P R E H E N S I V E I N C O M E

For the Year ended 31 December 2023

	2023	2022
	HK\$'000	HK\$'000
Profit for the year	48,961	12,268
	-----	-----
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(317)	(3,131)
Items that may not be reclassified subsequently to profit or loss		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	130,713	(363,263)
	-----	-----
Other comprehensive income/(expense) for the year, net of tax	130,396	(366,394)
	-----	-----
Total comprehensive income/(expense) attributable to equity holders of the Company	179,357	(354,126)
	-----	-----

The notes on pages 64 to 119 are an integral part of these financial statements.

C O N S O L I D A T E D B A L A N C E S H E E T

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	115	161
Right-of-use assets	14	3,933	7,429
Investment properties	15	2,421,000	2,494,000
Investments in joint ventures	16	85,314	87,171
Financial assets at fair value through other comprehensive income	18	2,237,597	2,106,344
Non-current financial assets at fair value through profit or loss	20	9,006	10,008
		4,756,965	4,705,113
		4,756,965	4,705,113
Current assets			
Trade and other receivables	19	10,472	10,138
Financial assets at fair value through profit or loss	20	405,189	342,451
Cash and bank balances			
– Pledged bank deposits	21	3,531	3,671
– Cash and cash equivalents	21	125,278	96,963
		544,470	453,223
		544,470	453,223
Total assets		5,301,435	5,158,336
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	3,397	3,397
Other reserves	23	1,776,934	1,652,901
Retained profits	23	3,430,316	3,408,960
		5,210,647	5,065,258
Total equity		5,210,647	5,065,258

CONSOLIDATED BALANCE

SHEET (cont'd)

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	448	3,981
Deferred income tax liabilities	25	27,911	27,894
Other non-current liability		1,500	1,493
		<u>29,859</u>	<u>33,368</u>
Current liabilities			
Trade and other payables	24	57,267	54,049
Current income tax liabilities		129	2,220
Lease liabilities	14	3,533	3,441
		<u>60,929</u>	<u>59,710</u>
Total liabilities		<u>90,788</u>	<u>93,078</u>
Total equity and liabilities		<u>5,301,435</u>	<u>5,158,336</u>

The notes on pages 64 to 119 are an integral part of these financial statements.

The financial statements on pages 58 to 119 were approved by the Board of Directors on 14 March 2024 and were signed on its behalf.

Lincoln C. K. Yung
Director

Jennie Chen
Director

C O N S O L I D A T E D S T A T E M E N T O F

C H A N G E S I N E Q U I T Y

For the Year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Balance at 1 January		5,065,258	5,466,939
Profit for the year		48,961	12,268
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	23	(317)	(3,131)
Items that may not be reclassified subsequently to profit or loss			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	23	130,713	(363,263)
Total other comprehensive income/(expense), net of tax		130,396	(366,394)
Total comprehensive income/(expense)		179,357	(354,126)
Transactions with owners:			
Final dividend relating to 2022/2021	23	(23,778)	(23,777)
Special dividend	23	(10,190)	(23,778)
Total transactions with owners		(33,968)	(47,555)
Balance at 31 December		5,210,647	5,065,258

The notes on pages 64 to 119 are an integral part of these financial statements.

C O N S O L I D A T E D S T A T E M E N T O F

C A S H F L O W S

For the Year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	26(a)	(1,706)	62,082
Income tax paid		(5,293)	(1,154)
		(6,999)	60,928
Cash flows from investing activities			
Interest received		1,909	813
Purchase of plant and equipment		–	(28)
Addition to investment properties		–	(159)
Acquisition of financial assets at fair value through other comprehensive income		–	(127,348)
Dividends received from financial assets at fair value through other comprehensive income	26(b)	67,323	65,407
Dividend received from a joint venture	26(c)	3,632	4,650
		72,864	(56,665)
Cash flows from financing activities			
Dividends paid		(33,968)	(47,555)
Repayment of lease payments	26(d)	(3,589)	(3,601)
		(37,557)	(51,156)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January	21	96,963	143,819
Currency translation difference		7	37
		125,278	96,963

The notes on pages 64 to 119 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Nanyang Holdings Limited (“the Company”) is a limited liability company incorporated in Bermuda. The address of its office in Hong Kong is Room 1808 St. George’s Building, 2 Ice House Street, Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together the “Group”) are engaged in property investment and investment holding and trading.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2024.

2 Material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Nanyang Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) New standard and amendments to standards that are effective in 2023

During the year ended 31 December 2023, the Group has adopted the following new standard and amendments to standards which are mandatory for accounting periods beginning on 1 January 2023:

HKFRS 17 and amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) **New standard and amendments to standards that are effective in 2023** *(cont'd)*

The adoption of new standard and amendments to standards does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

(b) **Amendments to standards and interpretation that are not yet effective and have not been early adopted by the Group**

The following amendments to standards and interpretation have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2024 or later periods but have not been early adopted by the Group:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁽¹⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽¹⁾
Amendments to HKAS 1	Non-current Liabilities with Covenants ⁽¹⁾
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ⁽¹⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾
Amendments to HKAS 21	Lack of Exchangeability ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for accounting periods beginning on or after 1 January 2024

⁽²⁾ Effective for accounting periods beginning on or after 1 January 2025

⁽³⁾ Effective date is to be determined

The Group has already commenced an assessment of the impact of the above amendments to standards and interpretation and does not expect that they would have any significant impact to its results of operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.2 Subsidiaries *(cont'd)*

(a) **Consolidation *(cont'd)***

(i) *Business combinations *(cont'd)**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) *Changes in ownership interests in subsidiaries without change of control*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Nanyang Holdings Limited.

(iii) *Disposal of subsidiaries*

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(b) **Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business prospective.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'finance income or expense'. All other foreign exchange gains and losses are presented in the income statement within 'other operating expense, net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.5 Foreign currency translation *(cont'd)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Over the remaining lease term
Buildings	25 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the income statement.

2.7 Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Changes in fair values are recorded in the income statement as changes in fair value of investment properties.

2 Material accounting policies *(cont'd)*

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) **Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.9 Financial assets *(cont'd)*

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income/(expenses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income/(expenses) and impairment expenses are presented as separate line item in the income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(losses) in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.9 Financial assets *(cont'd)*

(b) Recognition and measurement *(cont'd)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts, if any. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.12 Current and deferred income tax *(cont'd)*

(b) Deferred income tax *(cont'd)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Employee benefits

(a) Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.14 Provisions

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.15 Revenue recognition

(a) Rental and management fee income

Rental income is recognised on a straight-line basis over the lease periods. Management fee income is recognised over the period when services are rendered.

(b) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised in profit or loss when the right to receive payment is established.

(c) Interest income

Interest income on financial assets at amortised cost and financial assets at FVPL is recognised in profit or loss using the effective interest method.

2.16 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

2 Material accounting policies *(cont'd)*

2.16 Leases *(cont'd)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income statement on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the financial period when the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including equity price risk, foreign currency risk and interest rate risk), credit and counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

3.1 Financial risk factors

(a) Market risk

(i) Equity price risk

The Group's equity securities are exposed to price risk including currency translation difference as they are classified either as financial assets at fair value through other comprehensive income or as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's financial assets at fair value through other comprehensive income are mainly listed equity securities. Had the price of these investments increased/decreased by 5% with all other variables held constant, the equity would have been HK\$111,880,000 (2022: HK\$105,317,000) higher/lower.

The Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, the post-tax profit for the year ended 31 December 2023 would have been HK\$13,574,000 (2022: HK\$10,072,000) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(ii) *Foreign currency risk*

The Group's exposure to foreign currency risk mainly arises from its investments in securities worldwide and bank balances, primarily with respect to Euro ("EUR"), Japanese yen ("JPY"), Renminbi ("RMB"), British Pounds ("GBP"), Swiss Franc ("CHF") and New Taiwan Dollars ("NTD"). The Group monitors the proportion of its financial investments denominated in non-US/HK dollars.

At 31 December 2023, had the HK dollar weakened/strengthened by 5% against the EUR with all other variables held constant, the post-tax profit for the year ended 31 December 2023 would have been HK\$1,942,000 (2022: HK\$1,689,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of Euro-denominated financial assets at fair value through profit or loss and cash and cash equivalents.

At 31 December 2023, had the HK dollar weakened/strengthened by 5% against the JPY with all other variables held constant, the post-tax profit for the year ended 31 December 2023 would have been HK\$292,000 (2022: HK\$356,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Japanese yen-denominated financial assets at fair value through profit or loss.

At 31 December 2023, had the HK dollar weakened/strengthened by 5% against the RMB with all other variables held constant, the post-tax profit for the year ended 31 December 2023 would have been HK\$243,000 (2022: HK\$325,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated financial assets at fair value through profit or loss and cash and cash equivalents.

At 31 December 2023, had the HK dollar weakened/strengthened by 5% against the GBP with all other variables held constant, the post-tax profit for the year ended 31 December 2023 would have been HK\$635,000 (2022: HK\$671,000) higher/lower, mainly as a result of currency translation gain/loss on the British Pounds-denominated financial assets at fair value through profit or loss.

At 31 December 2023, had the HK dollar weakened/strengthened by 5% against the CHF with all other variables held constant, the post-tax profit for the year ended 31 December 2023 would have been HK\$367,000 (2022: HK\$390,000) higher/lower, mainly as a result of currency translation gain/loss on the Swiss Franc-denominated financial assets at fair value through profit or loss.

At 31 December 2023, had the HK dollar weakened/strengthened by 5% against the NTD with all other variables held constant, the equity would have been HK\$111,718,000 (2022: HK\$105,196,000) higher/lower, mainly as a result of currency translation gain/loss on the New Taiwan dollars-denominated listed equity securities classified as financial assets at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(iii) *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities.

Bank deposits at variable rates expose the Group to cash flow interest rate risk. The Group manages its exposure to interest rate risk by maintaining borrowings at a low level.

As at 31 December 2023, had interest rates been 1% higher/lower with all other variables held constant, the post-tax profit for the year ended 31 December 2023 would have been HK\$883,000 (2022: HK\$627,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

(b) **Credit and counterparty risk**

The credit and counterparty risk mainly arises from debt securities investments held under financial assets at fair value through profit or loss, deposits, cash and investments placed with banks and financial institutions and derivative financial instruments transacted with banks. The Group has limited its credit exposure by restricting their selection to financial institutions or banks with good credit rating. The Directors monitor the exposure and considered that the risk of default is minimal.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(c) Liquidity risk

In order to maintain flexibility in funding, the Group has obtained banking facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates.

The amounts disclosed in the table are the contractual undiscounted cash flows including interest payment.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 December 2023				
Trade payables	1,927	–	–	1,927
Rental and management fee deposits	14,675	3,257	2,198	20,130
Other payables and accruals	25,136	–	–	25,136
Lease liabilities	3,588	448	–	4,036
	<u>45,326</u>	<u>3,705</u>	<u>2,198</u>	<u>51,229</u>
At 31 December 2022				
Trade payables	2,341	–	–	2,341
Rental and management fee deposits	14,509	2,183	2,579	19,271
Other payables and accruals	23,319	–	–	23,319
Lease liabilities	3,588	3,588	448	7,624
	<u>43,757</u>	<u>5,771</u>	<u>3,027</u>	<u>52,555</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.2 Capital risk management

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

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

During 2023 and 2022, the Group's strategy was to maintain borrowings at a low level.

As at 31 December 2023 and 2022, the debt to equity ratio were as follows:

	2023 HK\$'000	2022 HK\$'000
Lease liabilities (Note 14)	3,981	7,422
Debt	3,981	7,422
Total equity	5,210,647	5,065,258
Debt to equity ratio	0.08%	0.15%

The debt to equity ratio decreased from 0.15% to 0.08% as a result of settlement of lease liabilities.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2023. See Note 15 for disclosures of the investment properties that are measured at fair value.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Non-current financial assets at fair value through profit or loss	–	–	9,006	9,006
Current financial assets at fair value through profit or loss	289,604	109,396	6,189	405,189
Financial assets at fair value through other comprehensive income	2,237,597	–	–	2,237,597
Total assets	2,527,201	109,396	15,195	2,651,792

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2022.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Non-current financial assets at fair value through profit or loss	–	–	10,008	10,008
Current financial assets at fair value through profit or loss	218,506	116,412	7,533	342,451
Financial assets at fair value through other comprehensive income	2,106,344	–	–	2,106,344
Total assets	2,324,850	116,412	17,541	2,458,803

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 31 December 2023, non-current financial assets at fair value through profit or loss of HK\$9,006,000 (2022: HK\$10,008,000) and current financial assets at fair value through profit or loss of HK\$6,189,000 (2022: HK\$7,533,000) are measured with valuation techniques using significant unobservable inputs (level 3). These valuation techniques and methods, including net asset values and prices observed in recent transactions, are generally recognised within the financial investment industry.

The following table presents the changes in level 3 instruments for the year ended 31 December 2023:

	Non-current financial assets at fair value through profit or loss HK\$'000	Current financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
At 1 January 2022	9,242	16,722	25,964
Disposals	–	(2,745)	(2,745)
Change in fair value recognised in profit or loss	766	(6,444)	(5,678)
At 31 December 2022 and 1 January 2023	10,008	7,533	17,541
Disposals	–	(1,585)	(1,585)
Change in fair value recognised in profit or loss	(1,002)	241	(761)
At 31 December 2023	9,006	6,189	15,195

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

4 Critical accounting estimates and judgements

4.1 Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31 December 2023 by an independent professional property valuer on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties. Details of the judgement and assumptions have been disclosed in Note 15.

4.2 Classification of listed financial assets at fair value through other comprehensive income

In connection with the Group's investment in The Shanghai Commercial & Savings Bank, Ltd ("SCSB"), certain Directors of the Company are also directors of SCSB. Their appointment as directors of SCSB was not nominated by the Group and does not represent the Group's interest. Accordingly, the Group does not have significant influence in SCSB and the investments in SCSB are classified as a financial asset at fair value through other comprehensive income.

5 Revenue and other income/(losses) and segment information

Revenue mainly comprises rental income, investment income from financial assets at fair value through profit or loss and dividend income from financial assets at fair value through other comprehensive income. Other income/(losses) represents net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss. Revenue and other income/(losses) recognised during the year comprises the following:

	2023 HK\$'000	2022 HK\$'000
Revenue		
Gross rental income from investment properties	59,886	66,809
Investment income from financial assets at fair value through profit or loss	4,753	3,398
Dividend income from financial assets at fair value through other comprehensive income	85,155	82,794
Management fee income from investment properties	10,235	11,319
Other	315	270
	160,344	164,590
Other income/(losses)		
Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss	35,670	(69,520)
	196,014	95,070

Management fee income is recognised over a period of time when the related performance obligation is satisfied. Contract liabilities in relation to management services and the transaction price allocated to these unsatisfied contracts as at 31 December 2023 amounted to HK\$206,000 (2022: HK\$211,000) respectively.

During the year, the revenue from individual customer contributed less than 10% of the total revenue of the Group. In 2022, revenue of approximately HK\$10,152,000 was derived from one major customer who contributed 10% or more of the total revenue from investment properties.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

5 Revenue and other income/(losses) and segment information *(cont'd)*

The Group is organised into two main business segments:

- Real estate – investment in and leasing of industrial/office premises
- Financial investments – holding and trading of investment securities

There are no sales or other transactions between the business segments.

The segment results for the year ended 31 December 2023 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other income/(losses)	70,121	125,893	196,014
Segment results	(49,296)	114,842	65,546
Finance income			1,909
Finance expense			(155)
Share of profit of joint ventures	3,129	–	3,129
Profit before income tax			70,429
Income tax expense			(21,468)
Profit attributable to equity holders of the Company			48,961
Other items			
Depreciation of right-of-use assets	–	–	(3,496)
Depreciation of property, plant and equipment	(14)	(32)	(46)
Fair value losses on investment properties	(73,000)	–	(73,000)

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

5 Revenue and other income/(losses) and segment information *(cont'd)*

The segment results for the year ended 31 December 2022 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Revenue and other (losses)/income	78,128	16,942	95,070
Segment results	25,745	9,336	35,081
Finance income			813
Finance expense			(212)
Share of losses of joint ventures	(541)	-	(541)
Profit before income tax			35,141
Income tax expense			(22,873)
Profit attributable to equity holders of the Company			12,268
Other items			
Depreciation of right-of-use assets	-	-	(3,678)
Depreciation of property, plant and equipment	(15)	(29)	(44)
Net fair value losses on investment properties	(5,159)	-	(5,159)

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude investments in joint ventures and right-of-use assets and segment liabilities exclude deferred income tax liabilities, lease liabilities and other non-current liability which are managed on a central basis.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

5 Revenue and other income/(losses) and segment information *(cont'd)*

The segment assets and liabilities as at 31 December 2023 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,430,067	2,782,121	5,212,188
Right-of-use assets			3,933
Investments in joint ventures	85,314	–	85,314
			<u>5,301,435</u>
Segment liabilities	52,051	5,345	57,396
Unallocated liabilities			33,392
			<u>90,788</u>

The segment assets and liabilities as at 31 December 2022 are as follows:

	Real estate HK\$'000	Financial investments HK\$'000	Total HK\$'000
Segment assets	2,502,356	2,561,380	5,063,736
Right-of-use assets			7,429
Investments in joint ventures	87,171	–	87,171
			<u>5,158,336</u>
Segment liabilities	51,026	5,243	56,269
Unallocated liabilities			36,809
			<u>93,078</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

5 Revenue and other income/(losses) and segment information *(cont'd)*

The Company is incorporated in Bermuda and is domiciled in Hong Kong. The Group's revenue and other income/(losses) from Hong Kong and from other countries for the year ended 31 December is analysed as follows:

	2023	2022
	HK\$'000	HK\$'000
Hong Kong	67,907	65,676
United States of America	24,784	(21,333)
Europe	17,563	(24,761)
Taiwan	84,916	82,855
Other countries	844	(7,367)
	196,014	95,070

At 31 December 2023, the total of non-current assets other than financial instruments located/operated in Hong Kong and in Mainland China are as follows:

	2023	2022
	HK\$'000	HK\$'000
Hong Kong	2,424,990	2,501,510
Mainland China	85,372	87,251
	2,510,362	2,588,761

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

6 Expenses by nature

	2023	2022
	HK\$'000	HK\$'000
Auditor's remuneration	1,747	1,757
Depreciation of property, plant and equipment	46	44
Depreciation of right-of-use assets	3,496	3,678
Direct operating expenses arising from investment properties that		
– generated rental income	3,291	2,094
– did not generate rental income	1,097	259
Employee benefit expense (including directors' emoluments) (Note 7)	25,149	23,316
Management fee expense in respect of investment properties	13,458	13,780
Legal and professional fee	1,926	1,542
Others	6,141	5,851
	56,351	52,321

7 Employee benefit expense

	2023	2022
	HK\$'000	HK\$'000
Wages and salaries	24,931	23,113
Retirement benefit costs – defined contribution plans	218	203
	25,149	23,316

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

Notes:

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2023 is set out below:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowances HK\$'000	Other benefits [#] HK\$'000	Employer's contributions to retirement scheme HK\$'000	Long service payment HK\$'000	Total HK\$'000
Mr. Nicholas Timothy James Colfer (Note i)	326	-	-	-	-	-	-	326
Mr. Rudolf Bischof (Note ii)	540	-	-	-	-	-	-	540
Mr. Lincoln C. K. Yung	24	5,915	2,389	104	367	18	-	8,817
Mr. Robert Tsai To Sze	540	-	-	-	-	-	-	540
Mr. John Con-sing Yung	300	-	-	-	-	-	-	300
Mr. Wong Chi Kwong Patrick	480	-	-	-	-	-	-	480
Ms. Jennie Chen (Note iii)	24	2,707	729	-	-	18	-	3,478
Total	2,234	8,622	3,118	104	367	36	-	14,481

The remuneration of every Director for the year ended 31 December 2022 is set out below:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowances HK\$'000	Other benefits [#] HK\$'000	Employer's contributions to retirement scheme HK\$'000	Long service payment HK\$'000	Total HK\$'000
Mr. Rudolf Bischof	540	-	-	-	-	-	-	540
Mr. Hung Ching Yung (Note iv)	6	1,488	-	42	24	-	239	1,799
Mr. Lincoln C. K. Yung	24	5,769	2,326	101	302	18	-	8,540
Mr. Robert Tsai To Sze	540	-	-	-	-	-	-	540
Mr. John Con-sing Yung	300	-	-	-	-	-	-	300
Mr. Wong Chi Kwong Patrick	480	-	-	-	-	-	-	480
Ms. Jennie Chen	24	2,579	692	-	-	18	-	3,313
Total	1,914	9,836	3,018	143	326	36	239	15,512

[#] Other benefits represent motor vehicle expenses.

Notes:

- (i) Mr. Nicholas Timothy James Colfer was appointed as an Independent Non-Executive Director on 22 March 2023 and became Chairman of the Board of Directors and Chairman of Nomination Committee with effect from 1 January 2024.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

7 Employee benefit expense *(cont'd)*

Notes: *(cont'd)*

(a) Directors' and senior management's emoluments *(cont'd)*

Notes: *(cont'd)*

(ii) Mr. Rudolf Bischof was retired as Chairman of the Board of Directors and Chairman of the Nomination Committee of the Company with effect from 1 January 2024.

(iii) Ms. Jennie Chen was appointed as the Assistant Managing Director with effect from 22 March 2023.

(iv) Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.

(b) Five highest paid individuals

The five highest paid individuals in the Group include 2 (2022: 3) Directors whose emoluments are reflected in the analysis presented in Note 7(a) above. The emoluments payable to the remaining individuals during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, housing and other allowances and benefits in kind	4,468	3,346
Contributions to retirement scheme	54	36
	4,522	3,382

The emoluments fell within the following bands:

	Number of individuals 2023	Number of individuals 2022
Emolument bands		
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$2,000,001 – HK\$2,500,000	1	1
	2	2

8 Other operating expense, net

	2023 HK\$'000	2022 HK\$'000
Net exchange losses	(64)	(1,252)
Others	(1,053)	(1,257)
	(1,117)	(2,509)

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

9 Finance income/(expense)

	2023 HK\$'000	2022 HK\$'000
Finance income		
Bank interest income	1,909	813
	<u>1,909</u>	<u>813</u>
Finance expense		
Interest expense on lease liabilities and other non-current liability	(155)	(212)
	<u>(155)</u>	<u>(212)</u>

10 Income tax expense

Hong Kong profits tax has been provided at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. Withholding tax on dividend income from overseas investments has been calculated at the rates of taxation prevailing in the countries in which the investees operate.

The amount of taxation charged to the consolidated income statement represents:

	2023 HK\$'000	2022 HK\$'000
Current income tax		
– Hong Kong profits tax	3,060	4,501
– Withholding tax on dividend income from financial assets at fair value through other comprehensive income	17,832	17,387
– Withholding tax on dividend income from a joint venture	417	564
– Under-provision in prior years	142	47
	<u>21,451</u>	<u>22,499</u>
Deferred income tax (Note 25)	17	374
	<u>21,468</u>	<u>22,873</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

10 Income tax expense *(cont'd)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates, and the difference is set out below:

	2023	2022
	HK\$'000	HK\$'000
Profit before income tax	70,429	35,141
Adjust: share of (profit)/losses of joint ventures	(3,129)	541
	67,300	35,682
Calculated at a tax rate of 16.5% (2022: 16.5%)	11,105	5,888
Income not subject to tax	(22,065)	(18,280)
Expenses not deductible for tax purposes	14,202	17,594
Tax concession (Note)	(165)	(165)
Under-provision in prior years	142	47
Tax loss not recognised	–	4
Utilisation of previously unrecognised tax losses	–	(166)
Withholding tax	18,249	17,951
	21,468	22,873

Note:

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. The two-tiered profits tax rate regime is applicable to the Group and only one subsidiary in the Group could elect for the two-tiered rates regime.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

11 Earnings per share

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

	2023	2022
Earnings (HK\$'000)		
Profit attributable to equity holders of the Company	48,961	12,268
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	33,968	33,968
Earnings per share (HK\$)		
Basic and diluted (Note)	1.44	0.36

Note:

The Company has no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

12 Dividends

	2023 HK\$'000	2022 HK\$'000
2023 proposed final dividend of HK\$0.70 (2022: HK\$0.70) per share	23,778	23,778
2023 proposed special dividend of HK\$0.60 (2022: HK\$0.30) per share	20,380	10,190
	44,158	33,968

At a meeting held on 14 March 2024 the Directors proposed a final dividend of HK\$0.70 (2022: HK\$0.70) per share and a special dividend of HK\$0.60 (2022: HK\$0.30) per share representing a total dividend distribution of approximately HK\$44.2 million (2022: HK\$34.0 million). These proposed dividends are to be approved by the shareholders at the Annual General Meeting on 14 May 2024 and are not reflected as dividends payable in these financial statements.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

13 Property, plant and equipment

	Properties HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2023			
Opening net book amount	80	81	161
Depreciation	(22)	(24)	(46)
	<u>58</u>	<u>57</u>	<u>115</u>
Closing net book amount	<u>58</u>	<u>57</u>	<u>115</u>
At 31 December 2023			
Cost	6,089	2,442	8,531
Accumulated depreciation	(6,031)	(2,385)	(8,416)
	<u>58</u>	<u>57</u>	<u>115</u>
Net book amount	<u>58</u>	<u>57</u>	<u>115</u>
Year ended 31 December 2022			
Opening net book amount	102	75	177
Addition	–	28	28
Depreciation	(22)	(22)	(44)
	<u>80</u>	<u>81</u>	<u>161</u>
Closing net book amount	<u>80</u>	<u>81</u>	<u>161</u>
At 31 December 2022			
Cost	6,089	2,442	8,531
Accumulated depreciation	(6,009)	(2,361)	(8,370)
	<u>80</u>	<u>81</u>	<u>161</u>
Net book amount	<u>80</u>	<u>81</u>	<u>161</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

14 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Right-of-use assets		
Office premises	3,933	7,429
Lease liabilities		
Current	3,533	3,441
Non-current	448	3,981
	<u>3,981</u>	<u>7,422</u>

Additions to the right-of-use assets during the year ended 31 December 2023 were nil (2022: HK\$10,488,000).

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets (Note 6)	3,496	3,678
Interest expense (included in finance expense)	148	203
	<u>3,644</u>	<u>3,881</u>

The total cash outflow for leases in 2023 was approximately HK\$3,589,000 (2022: HK\$3,601,000).

(c) The Group's leasing activities and how they are accounted for

The Group leases a premise under operating leases mainly for use as office premise. The terms of the lease run for a period of three years (2022: three years). Lease payments are fixed for the contracted period. None of the leases includes contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

15 Investment properties

	2023 HK\$'000	2022 HK\$'000
At fair value		
Opening balance at 1 January	2,494,000	2,499,000
Addition	–	159
Fair value changes	(73,000)	(5,159)
	<u>2,421,000</u>	<u>2,494,000</u>
Closing balance at 31 December	2,421,000	2,494,000

The Group's investment properties with an aggregate carrying value of HK\$2,256,000,000 (2022: HK\$2,317,000,000) have been mortgaged to a bank to secure general banking facilities. As at 31 December 2023 and 2022, no banking facilities were utilised.

Valuation processes of the Group

The basis of the valuation of investment properties is fair value, being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The investment properties were revalued by Prudential Surveyors (Hong Kong) Limited, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31 December 2023. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This department reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuers.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

15 Investment properties *(cont'd)*

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed industrial and commercial properties in Hong Kong are generally derived using the direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

As at 31 December 2023, all investment properties are included in level 3 fair value hierarchy.

There were no changes in valuation techniques during the year and there were no transfers between fair value hierarchies during the year.

Significant inputs used to determine fair value

Information about fair value measurements using significant unobservable inputs for the Group's principal investment properties

Descriptions	Fair value		Valuation techniques	Unobservable inputs	Relationship of unobservable inputs of fair value
	2023 HK\$'000	2022 HK\$'000			
Commercial	2,299,000	2,363,000	Direct comparison	Average unit rate – HK\$6,521 – HK\$11,565 per square feet (2022: HK\$6,768 – HK\$12,372 per square feet) Carpark: HK\$1,770,000 – HK\$2,380,000 per unit (2022: HK\$1,720,000 – HK\$2,320,000 per unit)	The higher the average unit rates, the higher the fair value
Industrial	122,000	131,000	Direct comparison	Average unit rate – HK\$2,883 per square feet (2022: HK\$3,102 per square feet) Carpark: HK\$680,000 – HK\$810,000 per unit (2022: HK\$650,000 – HK\$770,000 per unit)	The higher the average unit rates, the higher the fair value
	2,421,000	2,494,000			

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

15 Investment properties *(cont'd)*

Valuation techniques *(cont'd)*

Significant inputs used to determine fair value *(cont'd)*

At 31 December 2023, sensitivity analysis has been performed to assess the impact on the valuations of changes in the unobservable inputs for average unit rates. The results are shown in the table below:

	Change in assumption %	Increase/(decrease) in valuation	
		Increase in assumption HK\$'000	Decrease in assumption HK\$'000
Average unit rates	5.0	121,050	(121,050)

16 Investments in joint ventures

	2023 HK\$'000	2022 HK\$'000
Share of net assets	85,314	87,171

The following is a list of the principal joint ventures indirectly held by the Company as at 31 December 2023:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities and place of operation	Attributable interest to the Group		
			Equity interest	Profit sharing	Voting power
Shanghai Sung Nan Textile Co., Ltd (Note a)	People's Republic of China, limited liability company	Property investment in the People's Republic of China	64.68%	64.68%	57%
Southern Textile Company Limited	People's Republic of China, limited liability company	Property investment in the People's Republic of China	45%	45%	43%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

16 Investments in joint ventures *(cont'd)*

Notes:

(a) Since unanimous consent of all the parties sharing control is required for decisions about the relevant activities (i.e. activities that significantly affect the returns of arrangement), the investment is classified as joint venture even though the Group has a 57% voting interest.

(b) All companies above are private and there is no quoted price available for their shares.

The fair value of investment properties held by joint ventures attributable to the Group amounted to HK\$38,708,000 (2022: HK\$43,471,000).

There are no commitment and contingent liabilities relating to the Group's investments in its joint ventures.

In respect of a joint venture of the Group, Shanghai Sung Nan Textile Co., Ltd., its joint venture term and land use right expired on 31 May 2022 despite its business license is valid up to 31 May 2042. The Group accounted for its share of result of this joint venture up to 31 May 2022.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

17 Financial instruments by category

	2023	2022
	HK\$'000	HK\$'000
Assets as per consolidated balance sheet		
Financial assets at amortised cost		
Trade and other receivables	10,065	9,967
Pledged bank deposits	3,531	3,671
Cash and cash equivalents	125,278	96,963
Financial assets at fair value through other comprehensive income	2,237,597	2,106,344
Non-current financial assets at fair value through profit or loss	9,006	10,008
Financial assets at fair value through profit or loss	405,189	342,451
	2,790,666	2,569,404
	2023	2022
	HK\$'000	HK\$'000
Liabilities as per consolidated balance sheet		
Financial liabilities at amortised cost		
Trade payables, rental and management fee deposits, other payables and accruals	47,193	44,931
Lease liabilities	3,981	7,422
	51,174	52,353

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

18 Financial assets at fair value through other comprehensive income

(a) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	2023	2022
	HK\$'000	HK\$'000
Listed equity securities – Hong Kong	3,292	2,489
Listed equity securities – outside Hong Kong	2,234,305	2,103,855
	2,237,597	2,106,344

(b) Financial assets at fair value through other comprehensive income

Movement of financial assets at fair value through other comprehensive income is as follows:

	2023	2022
	HK\$'000	HK\$'000
At 1 January	2,106,344	2,338,897
Addition	–	127,348
Currency translation differences	540	3,362
Net fair value gains/(losses) recognised in equity	130,713	(363,263)
	2,237,597	2,106,344

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

18 Financial assets at fair value through other comprehensive income *(cont'd)*

(b) Financial assets at fair value through other comprehensive income *(cont'd)*

The financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2023	2022
	HK\$'000	HK\$'000
New Taiwan dollars (Note)	2,234,305	2,103,855
Others	3,292	2,489
	2,237,597	2,106,344

Note:

The financial assets at fair value through other comprehensive income represented the following investment:

Name	Place of incorporation	Principal Activities	Particulars of issued share capital	Group's equity interest
The Shanghai Commercial & Savings Bank, Ltd.	Taiwan	Commercial banking business	4,861,603,140 ordinary shares of NT\$10 each (2022: 4,861,603,140)	3.92% (2022: 3.92%)

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

19 Trade and other receivables

	2023	2022
	HK\$'000	HK\$'000
Trade receivables (Note a)	373	163
Other receivables, prepayments and deposits	9,341	8,611
Amounts due from joint ventures (Note c)	758	1,364
	10,472	10,138

Notes:

- (a) The Group does not grant any credit term to customers. Trade receivables represent rental income receivable from tenants. Rental income is charged in advance to the tenants at the beginning of each month which becomes due upon the issue of invoices. As at the respective balance sheet dates, the trade receivables were all past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At 31 December 2023, the aging analysis of the trade receivables is as follows:

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	373	163

There is no concentration of credit risk with respect to trade receivables. The Group applied the simplified approach to measure expected credit loss, that is a lifetime expected loss allowance for trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

- (b) The carrying amounts of trade and other receivables approximate their fair values.
- (c) The amounts due from joint ventures are unsecured, interest free and repayable on demand.
- (d) The trade and other receivables are mainly denominated in Hong Kong dollars.
- (e) The maximum exposure to credit risk at the reporting date is the carrying value of the receivable mentioned above. The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

20 Financial assets at fair value through profit or loss

	2023 HK\$'000	2022 HK\$'000
Non-current asset		
Unlisted securities		
Debt securities	9,006	10,008
	-----	-----
Current assets		
Listed securities		
Equity securities	122,461	116,785
Debt securities	38,979	14,381
Fund investments	128,164	87,340
	-----	-----
	289,604	218,506
	-----	-----
Unlisted securities		
Equity securities	13,319	15,868
Debt securities	17,499	1,000
Fund investments	84,767	107,077
	-----	-----
	115,585	123,945
	-----	-----
	405,189	342,451
	-----	-----
	414,195	352,459

The above financial assets at fair value through profit or loss are held for trading purposes. They are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows (Note 26).

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

20 Financial assets at fair value through profit or loss *(cont'd)*

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as financial assets at fair value through profit or loss.

The Group's credit risk concentration of investments of listed debt securities as at 31 December 2023 and 2022 is analysed below based upon the credit rating of the issuers:

	2023 HK\$'000	2022 HK\$'000
A to AAA	35,923	10,464
B to BBB	3,056	2,334
Unrated (Note)	–	1,583
	<u>38,979</u>	<u>14,381</u>

Note:

The Directors monitor the exposure on unrated assets and considered that the risk of default is minimal.

The Group's financial assets at fair value through profit or loss with an aggregate carrying value of HK\$179,446,000 (2022: HK\$149,392,000) were secured for banking facilities.

The financial assets at fair value through profit or loss are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
British Pounds	12,687	12,560
Euro	38,498	33,564
Hong Kong dollars	16,874	22,279
Japanese yen	5,833	3,789
Renminbi	4,960	7,552
Swiss Franc	7,319	7,459
United States dollars	324,277	262,196
Others	3,747	3,060
	<u>414,195</u>	<u>352,459</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

21 Cash and bank balances

	2023 HK\$'000	2022 HK\$'000
Cash and cash equivalents	125,278	96,963
Pledged bank deposits (Note a)	3,531	3,671
	128,809	100,634

Notes:

- (a) As at 31 December 2023, bank deposits of HK\$3,531,000 (2022: HK\$3,671,000) were pledged to secure the banking facilities.
- (b) The carrying amounts of cash and bank balances are mainly denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	40,020	31,311
United States dollars	85,799	64,286
Other	2,990	5,037
	128,809	100,634

- (c) Maximum exposure to credit risk is HK\$128,809,000 (2022: HK\$100,634,000).

22 Share capital

	Number of Shares	Amount HK\$'000
Ordinary share, issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	33,967,738	3,397

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23 Reserves

	Contributed surplus HK\$'000	Financial assets at FVOCI reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory and other reserves HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1 January 2023	2,459	1,503,535	56,175	1,000	76,000	1,222	3,829	1,603	3,416,038	5,061,861
Currency translation differences	-	-	-	-	-	-	(317)	-	-	(317)
Fair value gains on financial assets at fair value through other comprehensive income	-	130,713	-	-	-	-	-	-	-	130,713
2022 final dividend	-	-	-	-	-	-	-	-	(23,778)	(23,778)
2022 special dividend	-	-	-	-	-	-	-	-	(10,190)	(10,190)
Profit for the year	-	-	-	-	-	-	-	-	48,961	48,961
Transfer between reserves of a joint venture	-	-	-	-	-	715	-	-	(715)	-
At 31 December 2023	2,459	1,634,248	56,175	1,000	76,000	1,937	3,512	1,603	3,430,316	5,207,250
Balance as at 1 January 2022	2,459	1,866,798	56,175	1,000	76,000	8,055	6,960	1,603	3,444,492	5,463,542
Currency translation differences	-	-	-	-	-	-	(3,131)	-	-	(3,131)
Fair value losses on financial assets at fair value through other comprehensive income	-	(363,263)	-	-	-	-	-	-	-	(363,263)
2021 final dividend	-	-	-	-	-	-	-	-	(23,777)	(23,777)
2021 special dividend	-	-	-	-	-	-	-	-	(23,778)	(23,778)
Profit for the year	-	-	-	-	-	-	-	-	12,268	12,268
Transfer between reserves of a joint venture	-	-	-	-	-	(6,833)	-	-	6,833	-
At 31 December 2022	2,459	1,503,535	56,175	1,000	76,000	1,222	3,829	1,603	3,416,038	5,061,861

Contributed surplus

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited ("NCML") in exchange for the Company's new shares issued. The Group's contributed surplus represents the difference between the nominal value of NCML's shares and the nominal value of the Company's shares issued pursuant to the group reorganisation less subsequent distribution. The Company's contributed surplus represents the difference between the nominal value of the Company's shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition less subsequent distribution.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

23 Reserves *(cont'd)*

Financial assets at FVOCI reserves

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.9. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Statutory reserves

Statutory reserves are created in accordance with the terms of the joint venture agreements of the joint ventures established in the People's Republic of China and are required to be retained in the financial statements of the entities for specific purposes. The statutory reserves at 31 December 2023 comprise statutory surplus reserve of HK\$902,000 (2022: HK\$684,000) and enterprise development reserve of HK\$760,000 (2022: HK\$538,000) which are appropriated from the retained profits of the joint ventures.

General reserve

General reserve arose from transfers from retained profits and has no specific purpose.

24 Trade and other payables

	2023 HK\$'000	2022 HK\$'000
Trade payables (Note a)	1,927	2,341
Rental and management fee deposits	20,130	19,271
Other payables, provision and accruals	35,210	32,437
	<u>57,267</u>	<u>54,049</u>

Notes:

(a) At 31 December 2023, the aging analysis of the trade payables is as follows:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	<u>1,927</u>	<u>2,341</u>

(b) The carrying amounts of trade and other payables approximate their fair values and are denominated in Hong Kong dollars.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

25 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method.

	2023	2022
	HK\$'000	HK\$'000
Deferred income tax liabilities		
– to be settled after more than 12 months	(27,911)	(27,894)

The movement on the deferred income tax account is as follows:

	Accelerated tax depreciation	
	2023	2022
	HK\$'000	HK\$'000
Balance at 1 January	(27,894)	(27,520)
Tax charged to the consolidated income statement (Note 10)	(17)	(374)
Balance at 31 December	(27,911)	(27,894)

Deferred income tax assets are recognised for tax losses carried forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of HK\$55,000 (2022: HK\$55,000) in respect of tax losses amounting to HK\$334,000 (2022: HK\$334,000). These tax losses have no expiry date.

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

26 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash (used in)/generated from operations:

	2023	2022
	HK\$'000	HK\$'000
Profit before income tax	70,429	35,141
Share of (profit)/losses of joint ventures	(3,129)	541
Finance income, net	(1,754)	(601)
Dividend income from financial assets at fair value through other comprehensive income	(85,155)	(82,794)
Net exchange losses	151	1,036
Depreciation of property, plant and equipment	46	44
Depreciation of right-of-use assets	3,496	3,678
Changes in fair value of investment properties	73,000	5,159
	57,084	(37,796)
Operating profit/(loss) before working capital changes	57,084	(37,796)
Increase in trade and other receivables	(334)	(280)
(Increase)/decrease in financial assets at fair value through profit or loss	(61,814)	102,439
Decrease in pledged bank deposits	140	935
Increase/(decrease) in trade and other payables	3,218	(3,216)
	(1,706)	62,082
Net cash (used in)/generated from operations	(1,706)	62,082

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

26 Notes to the consolidated statement of cash flows *(cont'd)*

(b) Dividend received from financial assets at fair value through other comprehensive income:

	2023 HK\$'000	2022 HK\$'000
Dividends received	85,155	82,794
Withholding tax paid	(17,832)	(17,387)
	67,323	65,407

(c) Dividends received from a joint venture:

	2023 HK\$'000	2022 HK\$'000
Dividends received	4,049	5,214
Withholding tax paid	(417)	(564)
	3,632	4,650

(d) Liabilities and assets from financing activities

The movement in liabilities and assets from financing activities are as follows:

	Lease liabilities HK\$'000
Balance as at 1 January 2023	7,422
Financing cash flows	(3,589)
Interest expense	148
	3,981
Balance as at 31 December 2023	3,981
	Lease liabilities HK\$'000
Balance as at 1 January 2022	611
Financing cash flows	(3,601)
Interest expense	203
Inception of lease	10,209
	7,422
Balance as at 31 December 2022	7,422

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

27 Future rental receivables

The investment properties are leased to tenants under operating leases with rentals payable monthly.

At 31 December, minimum lease rentals under non-cancellable operating leases of the investment properties not recognised in the financial statements as receivables are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	45,369	45,202
Later than one year but not later than 5 years	34,367	41,986
	79,736	87,188

28 Related party transactions

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Key management compensation

	2023 HK\$'000	2022 HK\$'000
Salaries and other short term employee benefits	17,562	17,295
Contributions to retirement scheme	72	54
Long service payment	–	239
	17,634	17,588

(b) Related party balances

	2023 HK\$'000	2022 HK\$'000
Amounts due from joint ventures (Note 19)	758	1,364
	758	1,364

NOTES TO THE FINANCIAL
STATEMENTS *(cont'd)*

29 Balance sheet and reserve movement of the Company

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
ASSETS		
Non-current asset		
Investments in subsidiaries	378,782	378,782
	-----	-----
Current assets		
Trade and other receivables	337	279
Amounts due from subsidiaries	152,803	152,803
Cash and cash equivalents	8,655	8,107
	-----	-----
	161,795	161,189
	-----	-----
Total assets	540,577	539,971
	-----	-----
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	3,397	3,397
Other reserves (Note)	357,844	357,844
Retained profits (Note)	77,140	67,569
	-----	-----
Total equity	438,381	428,810
	-----	-----
LIABILITIES		
Current liabilities		
Other payables	4,616	4,510
Amounts due to subsidiaries	97,580	106,651
	-----	-----
	102,196	111,161
	-----	-----
Total equity and liabilities	540,577	539,971
	-----	-----

N O T E S T O T H E F I N A N C I A L
S T A T E M E N T S *(cont'd)*

29 Balance sheet and reserve movement of the Company *(cont'd)*

Note:

Reserve movement of the Company

	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2023	356,241	1,603	67,569	425,413
Profit for the year	–	–	43,539	43,539
2022 final dividend	–	–	(23,778)	(23,778)
2022 special dividend	–	–	(10,190)	(10,190)
At 31 December 2023	<u>356,241</u>	<u>1,603</u>	<u>77,140</u>	<u>434,984</u>
At 1 January 2022	356,241	1,603	108,165	466,009
Profit for the year	–	–	6,959	6,959
2021 final dividend	–	–	(23,777)	(23,777)
2021 special dividend	–	–	(23,778)	(23,778)
At 31 December 2022	<u>356,241</u>	<u>1,603</u>	<u>67,569</u>	<u>425,413</u>

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 Subsidiaries

Details of the subsidiaries as at 31 December 2023 are as follows:

Name	Place of incorporation/ place of operation and kind of legal entity	Principal activities	Particulars of issued share capital	Group's equity interest	
				2023	2022
Bright Honest Investment Ltd	British Virgin Islands, limited liability company	Investment holding	50,000 shares of US\$1 each	100%	100%
Cottage Investments Co SA	Panama, limited liability company	Investment holding	100 common shares without par value issued at US\$10 each and 100 common shares of US\$10 each	100%	100%
+ Culvert Investments Ltd	British Virgin Islands, limited liability company	Investment holding	100 shares of US\$1 each	100%	100%
East Coast Investments Ltd	Hong Kong, limited liability company	Investment trading	2 ordinary shares	100%	100%
Highriver Estates Ltd	Hong Kong, limited liability company	Property investment	2 ordinary shares	100%	100%
Infinity Peace Ltd	British Virgin Islands, limited liability company	Investment holding	100 shares without par value issued at US\$1 each	100%	100%
Mepal International Ltd	Hong Kong, limited liability company	Property investment	3 ordinary shares	100%	100%
Merry Co Inc	Liberia, limited liability company	Property Holding	1 share without par value issued at US\$1,000	100%	100%
Nanyang Cotton Mill Ltd	Hong Kong, limited liability company	Investment holding and property investment	25,000,000 ordinary shares	100%	100%

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 Subsidiaries *(cont'd)*

Details of the subsidiaries as at 31 December 2023 are as follows: *(cont'd)*

Name	Place of incorporation/ place of operation and kind of legal entity	Principal activities	Particulars of issued share capital	Group's equity interest	
				2023	2022
Nanyang Industrial (China) Ltd	Hong Kong, limited liability company	Investment holding	2 ordinary shares	100%	100%
Peninsular Inc	Liberia, limited liability company	Investment holding	1 share without par value issued at HK\$10,000	100%	100%
Peninsular Yarn and Fabric Merchandising Ltd	Hong Kong, limited liability company	Property investment	1,000 ordinary shares	100%	100%
Velden Ltd	British Virgin Islands, limited liability company	Investment holding and trading	10,000 ordinary shares of US\$1 each	100%	100%

+ Subsidiary held directly by the Company.

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2023 and 2022

Investment properties

Description	Lot number	Type	Lease term	Group's Interest
Units 2006–2008, 20/F, Fortress Tower, 250 King's Road	IL 8416 Hong Kong	Commercial	Medium term leasehold	100%
Nanyang Plaza 57 Hung To Road (Various units with a total floor area of 289,375 sq ft and all car parks)	KTIL 46	Commercial/ Industrial	Medium term leasehold	100%
Units A–D, 5/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po	DD 11 Lot No.1637	Industrial	Medium term leasehold	100%