

Website: <https://www.wingon.hk>



WING ON COMPANY INTERNATIONAL LIMITED
永安國際有限公司

(Incorporated in Bermuda with limited liability)

stock code: 289

Annual Report

2023

WING ON

永安
2023

CONTENTS

	Page
Corporate Information	1-6
Chairman's Statement	7-11
Report of the Directors	12-24
Corporate Governance Report	25-40
Connected Transaction and Continuing Connected Transaction	41
Five Year Summary	42
Properties held for Investment	43
Independent Auditor's Report	44-48
Consolidated Statement of Profit or Loss	49
Consolidated Statement of Profit or Loss and Other Comprehensive Income	50
Consolidated Statement of Financial Position	51-52
Consolidated Statement of Changes in Equity	53-54
Consolidated Statement of Cash Flows	55-56
Notes to the Financial Statements	57-136
Principal Subsidiaries and Associate	137-139

CORPORATE INFORMATION

BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

Executive Directors

Mr. Karl C. Kwok, BBS, MH (Chairman)

Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)

Dr. Bill Kwok, J.P.

Mr. Mark Kwok

Independent Non-executive Directors

Miss Maria Tam Wai Chu, GBM, GBS, J.P.

Mr. Leung Wing Ning

Mr. Nicholas James Debnam

AUDIT COMMITTEE

Mr. Nicholas James Debnam (Chairman)

Miss Maria Tam Wai Chu

Mr. Leung Wing Ning

REMUNERATION COMMITTEE

Mr. Leung Wing Ning (Chairman)

Mr. Karl C. Kwok

Mr. Nicholas James Debnam

NOMINATION COMMITTEE

Mr. Leung Wing Ning (Chairman)

Mr. Karl C. Kwok

Mr. Nicholas James Debnam

CORPORATE INFORMATION

(Continued)

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong.

SECRETARY

Mr. Sin Kar Tim
7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.

REGISTERED OFFICE

Victoria Place, 5th Floor,
31 Victoria Street,
Hamilton HM 10,
Bermuda.

PRINCIPAL OFFICE

7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.
Website: <https://www.wingon.hk>

SHARE REGISTRARS

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

MUFG Fund Services (Bermuda) Limited
4th Floor North,
Cedar House,
41 Cedar Avenue,
Hamilton HM 12,
Bermuda.

CORPORATE INFORMATION

(Continued)

Biography of Directors

Mr. Karl C. Kwok, BBS, MH, Chairman, Member of the Remuneration Committee and the Nomination Committee.

He, aged 75, is the Chairman of Wing On International Holdings Limited. He was educated at Carleton College, Minnesota and Wharton School, University of Pennsylvania where he obtained a M.B.A. degree. He was awarded an honorary fellow of City University of Hong Kong and of The Chinese University of Hong Kong in 2008 and 2017 respectively. He was also awarded an honorary L.H.D. from Carleton College in 2018. He joined the Group in 1974 and has been a director of the Company since October 1991. He has more than 40 years' management experience in retail, finance and investment business. He is a member of the Board of Trustees of Chung Chi College of The Chinese University of Hong Kong, vice president of the Sports Federation & Olympic Committee of Hong Kong (a non-governmental organization) and a non-official member of Task Force on Promoting and Branding Hong Kong of Hong Kong Government. He is an independent non-executive director of Tai Cheung Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited. He is also a director of Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited.

Mr. Lester Kwok, J.P., Deputy Chairman and Chief Executive Officer

He, aged 73, was educated at Stanford University, California where he obtained a B.A. (Economics) degree. He subsequently qualified as a barrister-at-law at Gray's Inn, London in 1975 and practised in London and Hong Kong. He joined the Group in late 1985 and has been a director of the Company since October 1991. He has served as a Steward of The Hong Kong Jockey Club from September 2005 to April 2020 and on numerous statutory appeal/review bodies at various times in the past including the Administrative Appeals Board (2000–2006), Inland Revenue Board of Review (1985–2002), Municipal Services Appeals Board (2000–2002), Town Planning Appeal Board (1994–2001), Securities and Futures Appeals Panel of the Securities and Futures Commission (1989–1995). He has also served on the Wan Chai District Board (1985–1994) and the Consumer Council (1996–1997). He is the deputy chairman and managing director of Wing On International Holdings Limited and also a director of Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited. He is a brother of the Chairman.

CORPORATE INFORMATION

(Continued)

Biography of Directors (Continued)

Dr. Bill Kwok, J.P., Executive Director

He, aged 71, was educated at Stanford University and the University of Chicago where he obtained undergraduate degrees and a Ph.D. respectively. He has been a director of the Company since November 1992. He oversees and manages the investment business of the Group. He is a director of Wocom Holdings Limited, Wing On International Holdings Limited, Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited. He is currently a member of the Hang Seng Index Advisory Committee. He has served as an independent non-executive director of Hong Kong Exchanges and Clearing Limited which is listed on The Stock Exchange of Hong Kong Limited from 2000-2017 and also the chairman of OTC Clearing Hong Kong Limited, a subsidiary company of the Hong Kong Exchanges and Clearing Limited, from 2015-2017. He has served as a non-executive director of HSBC Private Bank (Suisse) SA from 2006 to 2016. He is a past chairman and an honorary fellow of Hong Kong Securities and Investment Institute. He is a brother of the Chairman.

Mr. Mark Kwok, Executive Director

He, aged 69, was educated at Stanford University, California and the University of Santa Clara where he obtained a B.A. (Economics) degree and an M.B.A. degree respectively. He joined the Group in 1986 and was responsible for the Group's retail operations until mid-2001. He has been a director of the Company since November 1992. He is currently looking after the Group's overseas investments. He was a member of the Executive Committee of the Hong Kong Retail Management Association until 2001. He has served as a member of Law Reform Commission's Sub-committee on Civil Liability for Unsafe Products from 1995 to 1997 and a Member of Election Committee of Subsector of Wholesale and Retail for the Legislative Council Elections of the HKSAR in 1997, 2000, 2002 and 2004. He has also served as a member of the Committee for electing deputies from the HKSAR for the 11th, 12th and 13th National People's Congress of the People's Republic of China in 2008, 2012 and 2017. He was a member of the Fish Marketing Advisory Board from 2014 to 2019. He is also a director of Wing On International Holdings Limited, Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited. He is a brother of the Chairman.

CORPORATE INFORMATION

(Continued)

Biography of Directors (Continued)

Miss Maria Tam Wai Chu, GBM, GBS, J.P., Independent Non-executive Director and Member of the Audit Committee

She, aged 78, was educated at London University. She qualified as a barrister-at-law at Gray's Inn, London, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (P.R.C.) and Hong Kong Affairs Advisor (P.R.C.). She is currently an independent non-executive director of Sinopec Kantons Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited. She resigned as an independent non-executive director of Nine Dragons Paper (Holdings) Limited, which is listed on The Stock Exchange of Hong Kong Limited on 31 March 2023. She resigned as an independent non-executive director of Macau Legend Development Limited, which is listed on The Stock Exchange of Hong Kong Limited on 3 February 2022. She has served as an independent non-executive director of Guangnan (Holdings) Limited, which is listed on The Stock Exchange of Hong Kong Limited from 1999 to 2017. She has served as an independent non-executive director of Minmetals Land Limited, which is listed on The Stock Exchange of Hong Kong Limited from 1997 to 2018. She has served as an independent non-executive director of Tong Ren Tang Technologies Company Limited, which is listed on The Stock Exchange of Hong Kong Limited from 2000 to 2018. She has served as an independent non-executive director of Sa Sa International Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited from 2004 to 2019. She has served as an independent non-executive director of China Shenhua Energy Company Limited, a company listed on Shanghai Stock Exchange and Hong Kong Stock Exchange from 2017 to 2020. She was a member of the Operations Review Committee and the Witness Protection Review Board of the Independent Commission Against Corruption, Hong Kong from 2010 to 2014. She was the chairman of the Operations Review Committee, a member of the Witness Protection Review Board and the ex-officio member of the Advisory Committee on Corruption of the Independent Commission Against Corruption, Hong Kong from 2015 to 2017. She was a deputy to the National People's Congress of the People's Republic of China. She was the deputy director of the HKSAR Basic Law Committee under the Standing Committee of the National People's Congress of the People's Republic of China. She is also a member of various community services organisations. She was appointed as an Independent Non-executive Director of the Company in January 1994.

Mr. Leung Wing Ning, Independent Non-executive Director, Member of the Audit Committee, Chairman of the Remuneration Committee and the Nomination Committee
He, aged 76, was educated at Stanford University, California and New York University, New York where he obtained a B.S. (Mechanical Engineering) and an M.B.A. degree respectively. He has over 30 years' experience in senior management positions in international trades and in banking and finance. He retired from Hang Sang Bank Limited in 2007. He has served as an independent non-executive director of Winfoong International Limited which is listed on The Stock Exchange of Hong Kong Limited from 2009 to 2015. He was appointed as an Independent Non-executive Director of the Company in January 2010.

CORPORATE INFORMATION

(Continued)

Biography of Directors (Continued)

Mr. Nicholas James Debnam, Independent Non-executive Director, Chairman of the Audit Committee, and Member of the Remuneration Committee and the Nomination Committee. He, aged 59, has a degree in Physics from Imperial College, London. He qualified as a Chartered Accountant in the United Kingdom. He was an audit partner with KPMG for 20 years, from 1997 until his retirement in March 2017. Prior to his retirement, in addition to his role as an audit partner, he also led the Consumer Markets practice for KPMG in Asia. He is currently an independent non-executive director of Tai Ping Carpets International Limited which is listed on The Stock Exchange of Hong Kong Limited since 2022. Mr. Debnam is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. He was appointed as an Independent Non-executive Director of the Company in April 2018.

Biography of senior managers

Mr. Benny Chan

He, aged 65, is the managing director of The Wing On Department Stores (Hong Kong) Limited with full responsibility for the Group's retail department store operations. He also looks after the Group's overseas investment projects acting as the general manager in charge. He was educated at The Hong Kong Polytechnic University where he obtained a B.A. (Hons.) degree. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He joined the Group in 1992.

Mr. Sin Kar Tim

He, aged 67, is the chief accountant and company secretary. He is responsible for the Group's administration, accounting and finance matters. He is also a director of The Wing On Department Stores (Hong Kong) Limited. He is currently an independent non-executive director of Human Health Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited. He was educated at The Chinese University of Hong Kong where he obtained a B.B.A. degree. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He is also a fellow of the Hong Kong Institute of Directors. He joined the Group in 1980.

Wing On Department Stores

Main Store	:	211 Des Voeux Road Central, Hong Kong	Tel: 2852 1888
wing on <i>Plus</i>	:	345 Nathan Road, Kowloon	Tel: 2710 6288
Tsimshatsui East Store	:	Wing On Plaza, 62 Mody Road, Kowloon	Tel: 2196 1388

CHAIRMAN'S STATEMENT

2023 RESULTS AND DIVIDEND

For the year ended 31 December 2023, the Group's revenue was HK\$1,056.2 million (2022: HK\$1,041.0 million), a slight increase of 1.5% due mainly to the increase in revenue of the Group's department stores.

The Group recorded a profit attributable to shareholders of HK\$123.4 million for the year ended 31 December 2023 as compared to a loss of HK\$300.9 million for the year ended 31 December 2022. Such improvement was due mainly to the gain of HK\$149.0 million from the Group's investment portfolio for 2023 as compared to the loss of HK\$206.4 million for 2022, and the increase in interest income from bank deposits of HK\$62.2 million for 2023. The Group recorded a valuation loss on its investment properties of HK\$378.1 million for 2023 (2022: HK\$365.9 million). Excluding the valuation loss on the Group's investment properties and related deferred tax thereon, the Group's underlying profit attributable to shareholders for 2023 increased by 509.8% to HK\$478.1 million (2022: HK\$78.4 million), which was attributable mainly to the gain recorded from the Group's investment portfolio, the increase in interest income from bank deposits and the reduced loss from the Group's department stores operation.

Earnings per share was 42.4 HK cents (2022: loss per share of 103.3 HK cents) per share. Excluding the valuation loss on the Group's investment properties and related deferred tax thereon, the Group's underlying earnings per share for 2023 was 164.5 HK cents (2022: 26.9 HK cents) per share.

The Company has a practice of paying dividends to shareholders based on the amount of underlying profit attributable to shareholders for the year and makes no reference to any valuation gain or loss on its investment properties. Over the last decade, the Company has consistently paid to shareholders annual dividends of about 50% of the underlying profit for each of those years. Barring unforeseen circumstances or any major funding needs, the Company intends to maintain such dividend practice. For 2023, the directors have recommended a final dividend of 60 HK cents (2022: 15 HK cents) per share payable to shareholders on the register of members of the Company on 26 June 2024. A special dividend of 60 HK cents per share was paid in 2023 in respect of the year ended 31 December 2022 to commemorate the 115th Anniversary of the founding of the Group's department stores business in 1907. Together with the interim dividend of 34 HK cents (2022: nil cents) per share paid on 26 October 2023, a total dividend payment of 94 HK cents (2022: 75 HK cents) per share is declared for the entire year.

Subject to shareholders' approval of the proposed final dividend at the forthcoming Annual General Meeting to be held on Thursday, 13 June 2024, the register of members of the Company will be closed from Thursday, 20 June 2024 to Wednesday, 26 June 2024, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged for registration with the share registrar of the Company in Hong Kong, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:00 p.m. on Wednesday, 19 June 2024. Dividend warrants will be sent to shareholders on Thursday, 11 July 2024.

CHAIRMAN'S STATEMENT

(Continued)

BUSINESS STRATEGY

The Group's current business strategy is to focus on the operation of its department stores business and the enhancement of rental income from its commercial property investment. These are the Group's core businesses and the primary revenue and profit contributors. With Wing On Department Stores being a household name and having a presence of 116 years in Hong Kong, the Group is well aware of and adapts timely to the ever-changing needs of its customers. The Group is confident that its department stores will continue to serve its customers well. In addition to its core business activities, the Group also invests in equity and debt securities and investment funds managed by professional investment managers. With its sound financials, the Group will continue to strengthen its core business activities and look for opportunities to expand its business and to improve its earnings.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 31 December 2023 was HK\$18,355.8 million, a decrease of 1.1% as compared to HK\$18,553.5 million at 31 December 2022. With cash and listed marketable securities of HK\$3,414.7 million at 31 December 2023 (at 31 December 2022: HK\$3,370.9 million) as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on the Group's Assets

The Group did not have any borrowings at 31 December 2023 and 2022. In 2022, the Group repaid the entire borrowings of HK\$34.9 million, which related to a mortgage loan for Australian investment properties, and the relevant mortgage was released. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The Group did not have any borrowings at 31 December 2023 and 2022. The gearing ratio is not applicable at 31 December 2023 and 2022.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. Its exposure to fluctuations in the foreign exchange market was limited to the Group's net investment in overseas subsidiaries of HK\$3,474.4 million at 31 December 2023 (at 31 December 2022: HK\$3,448.5 million). The Group's cash and bank balances are mainly denominated in Hong Kong dollar, United States dollar and Australian dollar.

Capital Commitments and Contingent Liabilities

At 31 December 2023, the Group's capital commitments amounted to HK\$57.2 million (at 31 December 2022: HK\$22.6 million). The Group had no contingent liabilities at 31 December 2023 and 2022.

CHAIRMAN'S STATEMENT

(Continued)

2023 BUSINESS SUMMARY

Department Stores Operation

With the gradual resumption of social and economic activities in Hong Kong, the Group was able to maintain its normal department stores operating hours throughout the year under review. Both customer traffic and sales turnover picked up in 2023, notably in the first quarter. However, this sales growth did not last long. In the second half of the year under review, the Group witnessed an intensified change in the spending habits and shopping patterns of the local population. Many of them would travel north to the surrounding Greater Bay Area cities to do their shopping amongst other forms of spending. Hence, the Group's department stores business was adversely affected especially in the hard goods category.

During 2023, the Group launched more promotions with deeper discounts to boost sales. The Group's strategies to modernise its shop floors with appropriate visual merchandising display and to increase its assortments of imported apparel for fashion-conscious consumers produced positive results and the Group's sales of soft goods increased markedly. The overall sales increase was however abated by the lacklustre performance in hard goods.

For the year ended 31 December 2023, the Group's department stores recorded a revenue of HK\$639.4 million, representing an increase of 5.9% when compared to HK\$603.7 million in 2022. Overall, the department stores recorded an operating loss of HK\$2.8 million (2022: HK\$21.3 million). The reduction in operating loss was due mainly to the increase in revenue and thus gross profit. The Group's department stores operation recorded wage subsidy from the Government's 2022 Employment Support Scheme of HK\$12.2 million in 2022, whereas no such subsidy was received in 2023.

The Group pays high attention to the changing customer spending patterns and frequently adjusts its merchandise offerings and promotional campaigns to stimulate foot traffic and enhance competitiveness. The Group commenced the renovation of its wing on *Plus* branch store premises on Nathan Road in October 2023 aiming to provide a brand new shopping experience to the Group's customers with wider categories of quality merchandise and service. The renovation works, which are carried out in phases, are expected to be completed in 2025.

Property Investment

For the year ended 31 December 2023, the Group's property investment income decreased by 9.3% to HK\$388.2 million (2022: HK\$428.0 million). The significant decrease in space requirements by commercial office tenants after the COVID-19 pandemic years took a toll on the leasing operations of the Group's commercial investment properties in Hong Kong and overseas.

CHAIRMAN'S STATEMENT

(Continued)

2023 BUSINESS SUMMARY (Continued)

Property Investment (Continued)

Income from the Group's commercial investment properties in Hong Kong for the year ended 31 December 2023 decreased by 7.8% to HK\$293.5 million (2022: HK\$318.3 million) which was mainly due to the lower rentals achieved for new leases and lease renewals. The Group recorded a sum of HK\$0.8 million being compensation received for early termination of leases (2022: HK\$13.4 million). The overall occupancy rate of the Group's commercial investment properties in Hong Kong remained stable at approximately 93% at 31 December 2023 (at 31 December 2022: 92%).

Income from the Group's commercial office properties in Melbourne for the year ended 31 December 2023 decreased by 12.5% to HK\$97.6 million (2022: HK\$111.5 million) due mainly to the reduced occupancy and a write off of HK\$11.5 million for the irrecoverable rents and landlord's lease incentives relating to an insolvent tenant. Net income in terms of Australian currency decreased by 8.7%. The overall occupancy rate of the Group's commercial investment properties in Melbourne was 85% at 31 December 2023 (at 31 December 2022: 84%).

Interest in an Associate

In 2023, the Group recorded a share of loss after tax from the associate's automobile dealerships interest in the People's Republic of China of HK\$17.5 million (2022: HK\$18.1 million). Overall, the Group recorded a share of loss from the associate of HK\$9.9 million (2022: HK\$16.2 million).

Others

At 31 December 2023, the Group's investment portfolio amounted to HK\$1,872.4 million (2022: HK\$1,673.3 million), which mainly comprised of equity and debt securities, as well as investment funds and programs managed by professional investment managers. During the year ended 31 December 2023, the Group's investment portfolio recorded a gain of HK\$149.0 million (2022: a loss of HK\$206.4 million). The Group recorded a net foreign exchange loss of HK\$1.1 million (2022: HK\$0.7 million) in its holdings of foreign currencies.

CHAIRMAN'S STATEMENT

(Continued)

STAFF

At 31 December 2023, the Group had a total staff of 533 (at 31 December 2022: 551). The staff costs (excluding directors' remuneration) amounted to HK\$188.0 million in 2023 (2022: HK\$185.6 million). The Group provides employee benefits such as staff insurance, staff discount on purchases, the Mandatory Provident Fund ("MPF") Scheme and MPF exempted defined contribution retirement schemes. Discretionary management bonuses are also granted to senior managers.

In addition to basic salaries, the Group's retail division provides sales incentive gratuities to sales operation staff in order to motivate their sales efforts. The Group's retail division also formulates and launches in-house training programmes for various levels of staff to maintain and upgrade service quality and managerial capacities. The Group also provides external training sponsorship and tuition assistance.

2024 OUTLOOK

The slow revival of Hong Kong tourism industry and reduced levels of spending by visitors, together with the surge in the local population opting to travel north to the neighbouring Mainland cities for leisure and shopping, will continue to depress the retail market in Hong Kong. As a result, the Group's department stores business in 2024 will continue to be unfavourably affected by this trend. The Group will stay focused on its current market positioning while seeking to provide its discerning customers with more value for money products and better shopping experience. The Group's commercial investment properties in Hong Kong and Melbourne will continue to contribute rental income though the property market conditions in Melbourne will continue to be challenging in view of the high office vacancy and downward office rental pressure. With the financial strength of the Group and the dedication of its management, the Group can meet the challenges ahead.

On behalf of the Board, I would like to thank our management and staff for their efforts in 2023 and our shareholders for their continuous support.

Karl C. Kwok
Chairman

Hong Kong, 27 March 2024

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the operation of department stores and property investment. The analyses of the Group's revenue and profit from operations by segment and geographic information respectively are set out in Note 3 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2023 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 49 to 139.

An interim dividend of 34 HK cents (2022: nil cents) per share was paid on 26 October 2023. The directors now recommend that a final dividend of 60 HK cents (2022: 15 HK cents) per share in respect of the year ended 31 December 2023 be payable to shareholders on the register of members of the Company (the "Register of Members") on 26 June 2024. A special dividend of 60 HK cents per share was paid in 2023 in respect of the year ended 31 December 2022 to commemorate the 115th Anniversary of the founding of the Group's department stores business in 1907. Dividend warrants will be sent to shareholders on 11 July 2024.

Time for closure of the Register of Members and the latest time for transfers of shares to be dealt with in order to qualify for the final dividend are set out in the notes to the Notice of Annual General Meeting.

DIVIDEND POLICY

The Company has a practice of paying dividends to shareholders based on the amount of underlying profit attributable to shareholders for the year and makes no reference to any valuation gain or loss on its investment properties. Over the last decade, the Company has consistently paid to shareholders annual dividends of about 50% of the underlying profit for each of those years. Barring unforeseen circumstances or any major funding needs, the Company intends to maintain such dividend practice and will review this practice when considered necessary.

BUSINESS REVIEW

The core businesses of the Group comprise of the operation of department stores business and property investment. At 31 December 2023, about 73.0% (at 31 December 2022: 73.2%) of the Group's non-current assets is located in Hong Kong. Hence the performance of the Group's core businesses links closely with the performance of the Hong Kong economy.

REPORT OF THE DIRECTORS

(Continued)

BUSINESS REVIEW (Continued)

Principal risks and uncertainties facing the Group

The sustainability of the Group's department stores business relies on the continuing prosperity of the Hong Kong economy and the positive spending sentiment of its customers, as well as the ability of the Group's department stores to adapt to its customers' changing shopping behaviours and preferences. Any severe and prolonged economic downturn in Hong Kong might affect consumer confidence and spending, and result in a significant or substantial decrease in revenue of the Group's department stores business. Further, the Group's department stores operation may face an aging workforce in respect of its frontline staff which may result in disruptions to its operation and to deliver quality service to its customers.

In addition to the economic environment, the major risk and uncertainty facing the Group's investment properties include loss of major tenants and competition among landlords. The Group's ability to fully meet tenants' expectation on building infrastructure and facilities support might also affect the Group's market competitiveness, and thus profitability in its property investment business. Furthermore, any significant decrease in the annual valuation of the Group's investment properties will adversely affect the profit and net asset value of the Group.

In particular, the performance of the Group's investment properties in Melbourne, Australia will be affected by the strength or weakness of the Australian dollar which will have an impact on the rental income and net asset value of these investment properties when these figures are translated back into Hong Kong dollar for reporting purposes. The Group's financial, sales, merchandising and enterprise resource planning systems are operating on its own IT systems infrastructure. Therefore, all these systems are exposed to the risk of external cyber threat and leakage of information by unauthorised access to the systems.

Any prolonged pandemic outbreak such as COVID-19 may increase the health and safety risk of employees and customers and lead to adverse financial and operational impact.

Details about the Group's financial risk management are set out in Note 24 to the financial statements on pages 122 to 133.

REPORT OF THE DIRECTORS

(Continued)

BUSINESS REVIEW (Continued)

Department Stores Operation

At 31 December 2023, the Group operated three (at 31 December 2022: four) department stores in Hong Kong with a total sales floor area of approximately 309,000 square feet (at 31 December 2022: 315,000 square feet).

With the gradual resumption of social and economic activities in Hong Kong, the Group was able to maintain its normal department stores operating hours throughout the year under review. Both customer traffic and sales turnover picked up in 2023, notably in the first quarter. The sales growth was later moderated by various evolving economic and social factors which drastically changed the retail landscape of Hong Kong as well as the Group's department stores operation in the remainder of the year. Amongst those factors, the change in spending habits of Hong Kong citizens, with many of them now opting to travel north to neighbouring Greater Bay Area cities for leisure and shopping, and the increasing popularity of online shopping had significant impact on the Group's department stores' business, especially in the category of hard goods. To counter these challenges, the Group launched more promotions with deeper discounts during the year to boost sales.

In addition to its effort to clear off inventory and keep operating expenses in check, the Group continued to modernise its shop floors with appropriate visual merchandising display and to increase its assortments of imported apparel for fashion-conscious consumers. These actions produced positive results and the Group's sales of travel goods, handbags and shoes, sports and leisure wear, men's and ladies' wear and cosmetics increased markedly during the year. The overall sales increase in 2023 was however abated by the lacklustre performance in hard goods. Income from concession counters increased in 2023 due to increase in sales, whereas income from consignment counters decreased slightly due to decline in consignment sales and the reduction in number of consignment counters recruited.

For the year ended 31 December 2023, the Group's overall department stores revenue increased by 5.9% to HK\$639.4 million as compared to HK\$603.7 million in 2022, while each of the Main Store, wing on *Plus* branch store and Tsimshatsui East branch store recorded an increase in revenue of 3.8%, 8.3% and 11.8%, respectively. The Group also achieved an overall gross profit margin of 55.0% (2022: 54.5%) in 2023. Operating costs decreased by 2.2% to HK\$354.4 million (2022: HK\$362.3 million) due mainly to the decreases in payroll and related costs. In 2022, the Group's department stores received wage subsidy of HK\$12.2 million under the Government's 2022 Employment Support Scheme, whereas no such subsidy was received in 2023. As a result, the Group's department stores recorded an operating loss of HK\$2.8 million (2022: HK\$21.3 million) for the year ended 31 December 2023.

REPORT OF THE DIRECTORS

(Continued)

BUSINESS REVIEW (Continued)

Department Stores Operation (Continued)

Except for the premises of wing on *Plus* branch store, which are jointly owned by the Group and the Group's fellow subsidiary in the proportion of 64.37% and 35.63% respectively, all other store premises and the warehouse currently occupied by the Group's department stores operation are properties wholly owned by the Group. During the year ended 31 December 2023, a total rent of HK\$111.0 million (2022: HK\$111.0 million) was charged for these properties. With most of the department store premises leased from the Group, the directors believe that the department stores operation will be spared from the volatile leasing market. At the same time, the capital value of the Group's investment property portfolios will be maintained.

The Group's current strategy is to renovate its department store premises as and when necessary to maintain an enjoyable shopping environment for its customers. The Group commenced the renovation of its wing on *Plus* branch store premises on Nathan Road in October 2023 aiming to provide a brand new shopping experience to the Group's discerning customers with wider categories of quality merchandise and service. The renovation works, which are carried out in phases, are expected to be completed in 2025.

The Group's branch store in Discovery Bay was closed upon the expiry of its lease at the end of February 2023 due to the renovation of the site by the landlord. The closure of this branch did not have any material impact on the financial results of the Group as a whole.

Property Investment

For 2023, the Group's gross property investment income decreased by 3.7% to HK\$527.8 million (2022: HK\$548.2 million), whereas its operating costs increased by 16.1% to HK\$139.6 million (2022: HK\$120.2 million). Accordingly, the Group's property investment income decreased by 9.3% to HK\$388.2 million (2022: HK\$428.0 million).

At 31 December 2023 and excluding the areas occupied by the Group's business operations, the Group's Hong Kong investment property portfolio has a gross floor area of approximately 610,000 square feet (at 31 December 2022: 610,000 square feet). During 2023, the Group achieved a total gross rental income of HK\$301.9 million (2022: HK\$307.2 million) from its investment properties in Hong Kong. The average monthly basic rent achieved during 2023 was around HK\$50 per square feet (2022: HK\$52 per square feet). Overall occupancy rate for 2023, excluding the areas occupied by the Group's business operations, was 89% (2022: 89%). Despite the weaker tenant demand for office space, the Group managed to secure certain new leases and lease renewals with additional incentives granted to tenants and accordingly the overall occupancy rate increased marginally to 88% at 31 December 2023 (at 31 December 2022: 87%), excluding the areas occupied by its business operations.

In 2023, the Group spent HK\$9.3 million on capital works including enhancement of ventilation system and replacement of chiller plant at Wing On Centre for approximately HK\$5.5 million.

REPORT OF THE DIRECTORS

(Continued)

BUSINESS REVIEW (Continued)

Property Investment (Continued)

The appraised value of the Group's Hong Kong investment property portfolio was HK\$10,779.1 million at 31 December 2023 (at 31 December 2022: HK\$11,070.9 million).

At 31 December 2023, the Group's investment properties located in Melbourne, Australia, have a total gross floor area of approximately 639,000 square feet (at 31 December 2022: 639,000 square feet). During 2023, the Group achieved a total gross rental income of A\$21.5 million (2022: A\$23.2 million) from its investment properties in Melbourne. The overall occupancy rate for 2023 was 84% (2022: 88%). The appraised value of the Group's investment property portfolio in Melbourne was A\$687.4 million (HK\$3,658.2 million) at 31 December 2023, a decrease of 0.9% compared with the appraised value of A\$693.6 million (HK\$3,678.7 million) at 31 December 2022 in terms of Australian dollar (a decrease of 0.6% in terms of Hong Kong dollar). The overall occupancy rate of the Group's investment properties in Melbourne was 85% at 31 December 2023 (at 31 December 2022: 84%).

At 31 December 2023, the Group's investment property located in Houston, United States of America (the "US"), has a gross floor area of approximately 116,000 square feet (at 31 December 2022: 116,000 square feet). During 2023, the Group achieved a total gross rental income of US\$0.4 million (2022: US\$0.6 million) from its investment property in Houston. In 2023, the overall occupancy rate was 29% (2022: 31%). The appraised value of the Group's investment property portfolio in Houston was US\$21.1 million (HK\$164.4 million) at 31 December 2023, a decrease of 13.5% compared with the appraised value of US\$24.4 million (HK\$189.9 million) at 31 December 2022 in terms of United States dollar (a decrease of 13.4% in terms of Hong Kong dollar). The occupancy rate of the Group's investment property located in Houston was around 29% at 31 December 2023 (at 31 December 2022: 27%).

Other Investments

During the year under review, the Group continued to maintain a strong financial position with ample surplus cash to facilitate current and future business activities. The Group utilised a portion of the cash balance for investment purposes, by maintaining a balanced and diversified portfolio consisting primarily of liquid investment holdings across various asset classes. The portfolio consisted of equity and debt securities, investment funds and programs managed by professional investment managers, and derivative financial instruments. The portfolio had been prudently and actively managed, adhering to well-defined risk management parameters. The investment team reported regularly to the Investment Committee, which comprised certain members of the senior management and the Board.

REPORT OF THE DIRECTORS

(Continued)

BUSINESS REVIEW (Continued)

Other Investments (Continued)

Following a challenging 2022, financial markets remained volatile in 2023. Unlike the aggressive rate hike cycle to tame inflation in 2022, the US Fed moderated its rate hikes in the first half of 2023, paused after July, and signaled in December that the policy rate was at or near peak for this tightening cycle. The US economy proved resilient and investor sentiment turned optimistic in anticipation of rate cuts in 2024. Meanwhile, the Chinese economy recovered gradually against the backdrop of weaker consumption, slower external demand and a fragile property sector.

Under such environment, the Group's investment portfolio experienced volatility as well. The portfolio's China and Hong Kong equities recorded negative returns in line with the poor performance of these markets. However, portfolio diversification resulted in an overall reasonable return. Historically high levels of dividend income and interest income for our portfolio, generated from dividend stocks and higher quality bonds, provided portfolio ballast during periods of volatility. As China and Hong Kong equities suffered persistent investor outflows, a more tactical approach using listed options and derivative products was adopted to mitigate the negative impact on the overall portfolio.

At 31 December 2023, the Group's investment portfolio amounted to HK\$1,872.4 million (2022: HK\$1,673.3 million), which mainly comprised of equity and debt securities, as well as investment funds and programs managed by professional investment managers. During the year ended 31 December 2023, the Group's investment portfolio recorded a gain of HK\$149.0 million (2022: a loss of HK\$206.4 million), with positive contribution from most investment strategies and negative contribution from equities in few selected markets.

Compliance with Laws and Regulations

The Group has ensured and continues to ensure full compliance with relevant laws and regulations that have significant impact on its operations, including but not limited to laws and regulations in relation to product safety and liabilities, customer rights protection, employment and occupational safety and laws and regulations relating to property leasing and property management.

The management monitors the impact for any changes in the relevant laws and regulations from time to time and seek external advice if considered necessary.

REPORT OF THE DIRECTORS

(Continued)

BUSINESS REVIEW (Continued)

Key Relationships with Employees, Customers and Suppliers

The Group recognises the importance of maintaining good relationships with its employees, customers and suppliers to ensure the long-term success of the Group and maintain steady earnings growth.

Please refer to the section headed “Staff” in the Chairman’s Statement on page 11 for more information in relation to the Group’s measures to maintain good relationships with its employees.

The Group believes that effective communication plays an important role in maintaining stable and solid relationships with its suppliers. Regular communication channels are established between the Group and its suppliers for accessing up-to-date merchandise information, facilitating various promotional events and sharing feedback on supply chain coordination.

In addition, building sustainable and long-term relationships with tenants is important to the rental income of the Group’s property investment business. The Group strives to provide tenants with quality services and has engaged reputable professional property management companies to provide such services to its tenants.

Environmental, Social and Governance (“ESG”) Practices

The Board has overall responsibility for ESG strategy and reporting and has approved an ESG policy. An ESG committee comprised of management from various departments was formed with approved terms of reference to assist the Board to fulfil its responsibility for ESG-related matters. Through meetings and discussions amongst the management team, various policies and guidelines were set to address the ESG-related matters aiming to reduce carbon dioxide emissions and improve the benefits and work place conditions for staff. Internal seminars have been conducted for staff to enhance their awareness of environmental sustainability. Certain improvement measures have also been implemented during the year. Further discussion on the Group’s core values, ESG-related policies and performance, key relationships with its major stakeholders and compliance with relevant laws and regulations which have significant impact on the Group is set out in the Company’s ESG Report 2023, which is published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and of the Company on 26 April 2024.

Please refer to the sections headed “Business Strategy” and “2024 Outlook” in the Chairman’s Statement on page 8 and page 11, respectively, for the likely future developments of the Group’s businesses.

Please also refer to the Corporate Governance Report on pages 25 to 40 and the Chairman’s Statement on pages 7 to 11 for further business summary and information on financial position.

REPORT OF THE DIRECTORS

(Continued)

FIVE YEAR 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 42.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$74,000 (2022: HK\$19,000).

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out on pages 137 to 139.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the bye-law 178 of the Company's bye-laws (the "Bye-Laws") and subject to the statutes, the directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain in or about the execution of their duty or supposed duty in their respective offices. The Company has taken out and maintained directors and officers liability insurance throughout the year, which provides cover for the directors of the Company and its subsidiaries.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out on page 43.

BORROWINGS

The Group did not have any borrowings at 31 December 2023 and 2022.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's revenue and purchases respectively in 2023.

DEFINED CONTRIBUTION RETIREMENT PLANS

Particulars of defined contribution retirement plans of the Group are set out in Note 10(a) to the financial statements.

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS

The directors during the financial year and up to the date of this report were:

Mr. Karl C. Kwok, BBS, MH (Chairman)

Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)

Dr. Bill Kwok, J.P. (executive director)

Mr. Mark Kwok (executive director)

Miss Maria Tam Wai Chu, GBM, GBS, J.P. (independent non-executive director)

Mr. Leung Wing Ning (independent non-executive director)

Mr. Nicholas James Debnam (independent non-executive director)

Mr. Karl C. Kwok and Mr. Nicholas James Debnam shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election. Mr. Karl C. Kwok and Mr. Nicholas James Debnam will be proposed to be re-elected for a fixed term of three years until the 2027 Annual General Meeting.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGERS

Brief biographical details in respect of directors of the Company and senior managers of the Group are set out on pages 3 to 6.

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of directors' emoluments, five highest paid individuals' emoluments and staff costs are set out in Notes 7, 8 and 5(c) respectively, to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transaction and continuing connected transaction and related party transactions are set out in "Connected Transaction and Continuing Connected Transaction" on page 41 and in Note 26 to the financial statements, respectively.

Save for the above, no transaction, arrangement or contract of significance to which the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest either 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, any of its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

There is no service contract with any director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' INTERESTS IN SHARES

At 31 December 2023, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO were as follows:

(a) The Company

Name of director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests as a % of the issued voting shares	
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	480,620	–	–	–	480,620	0.165
Lester Kwok	649,050	–	–	–	649,050	0.223
Bill Kwok	958,298	295,000	255,000 (Note 1)	–	1,508,298	0.519
Mark Kwok	556,910	–	10,000 (Note 2)	–	566,910	0.195
Leung Wing Ning	10,000	–	–	–	10,000	0.003
Nicholas James Debnam	15,000	–	–	–	15,000	0.005

Notes:

1. Dr. Bill Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 255,000 ordinary shares in the Company.
2. Mr. Mark Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 10,000 ordinary shares in the Company.

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

Name of director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of corporation)	Other interests		
Karl C. Kwok	14,250	–	–	–	14,250	25
Lester Kwok	14,250	–	–	–	14,250	25
Bill Kwok	14,250	–	–	–	14,250	25
Mark Kwok	14,250	–	–	–	14,250	25

Note: The above directors together control 100% of the voting rights in Kee Wai Investment Company (BVI) Limited.

(c) The Wing On Fire & Marine (2011) Limited

Name of director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of corporation)	Other interests		
Karl C. Kwok	324	–	–	–	324	0.017
Lester Kwok	216	–	–	–	216	0.012
Bill Kwok	216	–	–	–	216	0.012
Mark Kwok	216	–	–	–	216	0.012

In addition to the above, certain directors hold shares in a subsidiary on trust and as nominee for its intermediary holding company.

Save as disclosed herein, none of the directors nor the chief executive officer of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (as defined above) which are required to be notified to the Company and the Stock Exchange pursuant to section 347 of the SFO or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

REPORT OF THE DIRECTORS

(Continued)

SUBSTANTIAL SHAREHOLDERS

At 31 December 2023, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares held	Total interests as a % of the issued voting shares
(i) Wing On International Holdings Limited	180,545,138	62.168
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	62.168
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	62.168

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against party (i) above are entirely duplicated in the relevant shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii). All of the abovenamed parties are deemed to be interested in the relevant shareholdings under the SFO.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of public exceeds 25% of the Company's total number of issued shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Details of the purchase of own shares by the Company during the year are set out in Note 23(d) to the financial statements. The purchases were made for the purpose of enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed in Note 23(d) to the financial statements, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

REPORT OF THE DIRECTORS

(Continued)

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws although there is no restriction against such rights under Bermuda Law.

AUDITOR

A resolution for the reappointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 27 March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company and its board of directors (the “Board”) are committed to achieving and maintaining a high standard of corporate governance. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Company and its subsidiaries (collectively, the “Group”) to manage business risks, enhance transparency, maintain high standards of accountability and protect shareholders’ interest in general. Throughout the year ended 31 December 2023, the Company applied the principles of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) to its corporate structure and practices as described in this report and on the Company’s website. The Company has also complied with all applicable code provisions in the CG Code throughout the year ended 31 December 2023.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”) as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiries of all directors of the Company (the “Directors”), and all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2023.

BOARD OF DIRECTORS

The Board currently comprises seven Directors, including: (i) the chairman of the Board (the “Chairman”) (who is also an executive Director); (ii) the deputy chairman of the Board (the “Deputy Chairman”) (who is also the Company’s chief executive officer (the “Chief Executive Officer”) and an executive Director); (iii) two executive Directors; and (iv) three independent non-executive Directors. The names and biographies of the Directors and relationships between members of the Board are set out on pages 3 to 6.

Mr. Karl C. Kwok (Chairman), Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer), Dr. Bill Kwok (executive Director) and Mr. Mark Kwok (executive Director) are brothers. Save as disclosed above, there was no relationship among the other members of the Board, including financial, business, family or other material/relevant relationship.

CORPORATE GOVERNANCE REPORT

(Continued)

BOARD OF DIRECTORS (Continued)

The Board meets regularly to review and approve the financial statements, including the quarterly, half-yearly and annual financial statements, of the Group. Five Board meetings, convened by due notice together with agenda and accompanying Board papers to all Directors, were held during the year ended 31 December 2023. The attendance of each Director at the Board meetings and annual general meeting (“AGM”) during the year ended 31 December 2023 is set out in the table below:

	<u>Board meetings attended/held</u>	<u>AGM attended/held</u>
Executive Directors		
Mr. Karl C. Kwok (Chairman)	5/5	1/1
Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer)	5/5	1/1
Dr. Bill Kwok	5/5	1/1
Mr. Mark Kwok	5/5	1/1
Independent non-executive Directors		
Miss Maria Tam Wai Chu	5/5	1/1
Mr. Leung Wing Ning	5/5	1/1
Mr. Nicholas James Debnam	5/5	1/1

The 2023 AGM was held on 13 June 2023, where all Directors, including the Chairman of the Board, the chairman of each of the audit committee of the Company (the “Audit Committee”), the remuneration committee of the Company (the “Remuneration Committee”) and the nomination committee of the Company (the “Nomination Committee”) and the external auditor of the Company, attended the 2023 AGM to answer questions raised by shareholders of the Company (the “Shareholders”). There was no other general meeting held during the year ended 31 December 2023. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. Currently, pursuant to the Company’s bye-laws (the “Bye-Laws”), an AGM shall be called by at least 21 days’ notice in writing, and a general meeting of the Company other than an AGM (including a general meeting for the passing of a special resolution) shall be called by at least 14 days’ notice in writing. Voting results are posted on the Stock Exchange’s website and the Company’s website on the day of an AGM.

All Directors well understand their roles, responsibilities and obligations as stated in the Company’s Corporate Governance Code (the “Company’s Code”). A revised version of the Company’s Code was approved by the Board on 15 June 2023.

CORPORATE GOVERNANCE REPORT

(Continued)

BOARD OF DIRECTORS (Continued)

The Directors acknowledge their responsibilities for preparing financial statements which give a true and fair view of the state of affairs of the Group. The Directors, having made appropriate enquiries, confirm that there are no material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out on pages 44 to 48 in the independent auditor's report for the year ended 31 December 2023.

The Board is responsible for determining the overall business strategies, policies and plans of the Group. Further, the Board establishes the Company's purpose, values and strategy, and satisfies itself that these and the Company's culture are aligned. The Board directly, and indirectly through its committees, leads and gives directions to management. Management has an obligation to provide the Board and its committees with adequate information and is accountable to the Board, who is in turn accountable to the Shareholders.

All major and significant acquisitions, disposals, capital transactions and investments are subject to the approval of the Board. The Group's senior management is delegated with the day-to-day running and operational matters of the Group's businesses, and is responsible for the formulation of business plans for the Board's review and approval.

The Board considers the independent non-executive Directors to be independent pursuant to the factors enumerated in Rule 3.13 of the Listing Rules.

From the date of each of their appointments to the Board up to and including the year ended 31 December 2023, each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties including the following:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the Company's Code and disclosure in its corporate governance report (the "Corporate Governance Report").

CORPORATE GOVERNANCE REPORT

(Continued)

BOARD OF DIRECTORS (Continued)

Corporate Governance Functions (Continued)

Under the Company's Code, the Board may delegate its responsibility for performing corporate governance duties to the Board committee(s). During the year ended 31 December 2023, the Board has, on its own and through the Nomination Committee, Audit Committee and Remuneration Committee, fulfilled the above corporate governance duties. During the year ended 31 December 2023, the Board reviewed and monitored the Company's corporate governance policies and practices to ensure compliance with the CG Code and related Listing Rules, and to align with the latest regulatory developments. The Nomination Committee assisted the Board to review and monitor the training and continuous professional development of Directors and senior management. The Audit Committee assisted the Board to review the Company's compliance with the Company's Code and disclosures in the Corporate Governance Report. The Board endorsed the annual Corporate Governance Report. The Remuneration Committee made recommendations to the Board on the Company's policy and the remuneration structure of all Directors and senior management. Linked to its corporate governance function, the Board is responsible for overseeing matters relating to environmental, social and governance ("ESG"). An ESG committee, comprised of department heads, was formed with approved terms of reference to assist the Board to manage all ESG-related matters.

Directors' Training

During the year ended 31 December 2023, the Company organised one in-house seminar to update the Directors on the new amendments to the CG Code and relevant Listing Rules. The Company also encourages the Directors to attend relevant seminars, conferences or forums to develop and refresh their knowledge and skills. The Company's company secretary (the "Company Secretary") also provides the Directors with relevant reading materials from time to time.

CORPORATE GOVERNANCE REPORT

(Continued)

BOARD OF DIRECTORS (Continued)

Directors' Training (Continued)

During the year ended 31 December 2023, a summary of training received by the Directors according to the records they provided is as follows:

Executive Directors	<u>Type of training</u>
Mr. Karl C. Kwok	A, B, C
Mr. Lester Kwok	A, B, C
Dr. Bill Kwok	A, B, C
Mr. Mark Kwok	A, B, C
Independent non-executive Directors	
Miss Maria Tam Wai Chu	A, B, C
Mr. Leung Wing Ning	A, B, C
Mr. Nicholas James Debnam	A, B, C

(A) In-house seminars

(B) External seminars and/or conferences and/or forums

(C) Reading materials

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated and are not exercised by the same individual, and are clearly defined in the Company's Code. Amongst his other duties, in his role as the Chairman, Mr. Karl C. Kwok, is responsible for ensuring that all Directors are properly briefed on issues arising at the Board meetings, that all Directors receive adequate and accurate information in a timely manner, and for providing leadership for the Board. The Chairman is also responsible for ensuring that good corporate governance practices and procedures are established and followed. Amongst his other duties, in his role as the Chief Executive Officer, Mr. Lester Kwok, is responsible for providing leadership for the Group's management and for managing and overseeing the Group's business affairs. The Chief Executive Officer is also responsible for implementing Board policies applicable to the management, operational matters or strategy of the Group in addition to presenting annual business budgets of the Group to the Board for approval.

CORPORATE GOVERNANCE REPORT

(Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

There are currently three independent non-executive Directors. Under the Bye-Laws, every Director is subject to retirement at least once every three years at the Company's AGM. All independent non-executive Directors have been appointed for a fixed term of three years. During the year ended 31 December 2023, the Chairman held meetings with the independent non-executive Directors without the presence of other Directors. Independent reviews and input from independent non-executive Directors are considered and discussed by the Board as applicable.

The Company has established mechanisms to ensure that independent views and input are available to the Board. Three of the seven Directors are independent non-executive Directors. The independent non-executive Directors bring a wide range of business and financial expertise, skills and experience, diversity of perspectives and independent judgement to the Board. Through active and regular participation in the Board meetings and serving on various Board committees, all independent non-executive Directors make various positive and impartial contributions to the Company. All Directors have access to external independent professional advice in order to discharge their duties to the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 30 June 2005 and is currently comprised of two independent non-executive Directors (one of whom is the chairman of the Remuneration Committee) and one executive Director.

The terms of reference of the Remuneration Committee are published on the Stock Exchange's website and the Company's website. The Remuneration Committee is responsible for making recommendations to the Board on the Company's remuneration policy and structure of all Directors and senior management, and for ensuring that no Director (or any of their associates) is involved in deciding that Director's own remuneration. The Remuneration Committee has the responsibility for determining the specific remuneration packages of all executive Directors and senior management, and for making recommendations to the Board on the remuneration of non-executive Directors. It also reviews and approves any performance-based remuneration, as well as any compensation payable for loss or termination of office of executive Directors and senior management. The remuneration of the Directors is determined with reference to factors such as salaries paid by comparable companies, the time commitment and responsibilities of each Director, and the results of the Group. The Remuneration Committee considers that discretionary performance bonuses provide appropriate incentives for the executive Directors to effectively monitor and improve the performance of the Group. Discretionary performance bonuses awarded to the executive Directors are based on an incremental scale linked to the after-tax profit target levels of the Group. Directors serving on the Board committees receive extra allowances for additional services rendered.

CORPORATE GOVERNANCE REPORT

(Continued)

REMUNERATION COMMITTEE (Continued)

During the year ended 31 December 2023, the Remuneration Committee reviewed the remuneration policy including the discretionary performance bonuses scheme, assessed the performance of executive Directors, and determined the remuneration packages of all executive Directors and senior management with reference to their performance and the factors mentioned above. Further, the Remuneration Committee reviewed the Directors' fees and allowances for 2023. Two meetings of the Remuneration Committee were held in 2023. The attendance of committee members during 2023 is set out in the table below:

Remuneration Committee members	<u>Meetings attended/held</u>
Mr. Leung Wing Ning (committee chairman)	2/2
Mr. Karl C. Kwok	2/2
Mr. Nicholas James Debnam	2/2

The amount of remuneration paid to each Director for 2023 is set out in Note 7 to the financial statements of the Group for the year ended 31 December 2023.

At the forthcoming AGM to be held on 13 June 2024, the Board will propose a Director's fee of HK\$268,000 (2023: HK\$258,000) for each Director for 2024 as recommended by the Remuneration Committee.

NOMINATION COMMITTEE

The Board established the Nomination Committee on 30 March 2012. The Nomination Committee is currently comprised of two independent non-executive Directors (one of whom is the chairman of the Nomination Committee) and one executive Director.

The terms of reference of the Nomination Committee are published on the Stock Exchange's website and the Company's website. As set out in its terms of reference, the Nomination Committee is required to, inter alia: (i) review the structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required experience, skill, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

CORPORATE GOVERNANCE REPORT

(Continued)

NOMINATION COMMITTEE (Continued)

The Nomination Committee has adopted a board diversity policy (the “Board Diversity Policy”), which aims to set out the approach to achieve diversity on the Board and the senior management team. The Board Diversity Policy provides that it is the Company’s policy to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required experience, skills, knowledge and length of service. The ultimate decision will be based on merit against objective criteria and the contribution that the candidates will bring to the Board, taking into account the corporate strategy and business of the Company.

During the year ended 31 December 2023, the Nomination Committee reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy, assessed the independence of independent non-executive Directors and made recommendations on the re-appointment of Directors. At present, three Directors on the Board are independent non-executive Directors with diverse career experience, and one of them is female. The Board considers that the current Board composition is well-balanced and of a diverse mix of skill and experience to lead and oversee the business of the Company. The Nomination Committee reviews and monitors the implementation and effectiveness of the Board Diversity Policy on a regular basis (and at least on an annual basis) to ensure optimal Board composition.

The Nomination Committee will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board and the Nomination Committee have not set any measurable objectives.

The Board currently has one female Director, and as such has achieved gender diversity in respect of the Board (as provided in Rule 13.92 of the Listing Rules). We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the Board Diversity Policy. We have adopted the following measures to develop a pipeline of potential successors to the Board to achieve gender diversity: (i) engage human resources agencies to identify potential successors; (ii) proactively provide training to our management who we consider as being potential successors to the Board; and (iii) take into account the factor of gender diversity when recruiting suitable candidates for our senior management.

CORPORATE GOVERNANCE REPORT

(Continued)

NOMINATION COMMITTEE (Continued)

The Group aims to provide a diversified working environment. Set out below is a table summarising the gender ratio in our workforce (including senior management):

All staff (including senior management)	As at 31 December 2023	
	Total	Proportion (%)
Male	145	27
Female	388	73
Total	533	100

Set out below is a table summarising the gender ratio of our senior management:

Senior management	As at 31 December 2023	
	Total	Proportion (%)
Male	2	100
Female	0	0
Total	2	100

At 31 December 2023, we have a higher female representation of 73% in our workforce because female employees dominate the retail sector in Hong Kong. We are committed to achieving gender diversity in our workforce by, among other things, standardising our recruitment and interview process, providing equal learning and development opportunities, and emphasising work-life balance. We also proactively provide training to our employees who we consider as being potential successors to our senior management, and take into account the factor of gender diversity when recruiting suitable candidates for our senior management. However, the overall manpower shortage and ageing population in Hong Kong may affect our achievement of gender diversity across our workforce.

During the year ended 31 December 2023, there were no new Directors appointed to the Board.

The Nomination Committee has also adopted a nomination policy (the “Nomination Policy”), which is published on the Company’s website. The Nomination Policy sets out the principles, criteria and procedures to guide the Nomination Committee when considering candidates to be appointed or re-appointed as Directors. When considering a candidate for directorship, the Nomination Committee will consider various relevant factors, including the candidate’s skills, experience or professional expertise, the Board Diversity Policy, the Group’s corporate strategy, the candidate’s time commitment and relevant interest, the candidate’s independence (for an independent non-executive directorship), succession planning and the candidate’s reputation for integrity. The Nomination Committee will review and monitor the implementation of the Nomination Policy on a regular basis.

CORPORATE GOVERNANCE REPORT

(Continued)

NOMINATION COMMITTEE (Continued)

Two Nomination Committee meetings were held in 2023. The attendance of committee members during 2023 is set out in the table below:

Nomination Committee members	<u>Meetings attended/held</u>
Mr. Leung Wing Ning (committee chairman)	2/2
Mr. Karl C. Kwok	2/2
Mr. Nicholas James Debnam	2/2

AUDIT COMMITTEE

The Board established the Audit Committee on 16 December 1998. The Audit Committee is currently comprised of three independent non-executive Directors (including the chairman of the Audit Committee who possesses the appropriate professional qualifications and accounting expertise required under Rule 3.10(2) of the Listing Rules).

The terms of reference of the Audit Committee are published on the Stock Exchange's website and the Company's website. As set out in its terms of reference, the Audit Committee is required to, among other duties, oversee the Company's relationship with the external auditor, monitor the integrity of and review the Company's financial statements, annual reports and accounts and interim reports (including in respect of their compliance with statutory and listing requirements), and oversee the Company's financial reporting, risk management and internal control systems.

During the year ended 31 December 2023, the Audit Committee, inter alia, reviewed and discussed with management, the Board and the external auditor the Group's interim and annual reports, results and accounts with a view to ensuring that the Group's financial reports, results and accounts are prepared with integrity as well as in compliance with applicable accounting standards and the Listing Rules and legal requirements in relation to financial reporting. The Audit Committee reviewed the Group's accounting policies and practices, and major financial reporting judgmental areas. Further, the Audit Committee oversaw the Company's risk management and internal control systems, assisted the Board in reviewing the effectiveness of the systems, discussed the systems with management to ensure their effectiveness, and reviewed the Company's financial controls. The Audit Committee engaged an external consultant to perform internal control review services and discussed the scope of work and findings with the external consultant, and reviewed management's response to these findings. The Audit Committee monitored and reviewed the relationship with, the independence of, and the quality of work of, the external auditor, KPMG. The Audit Committee reviewed the effectiveness of the external audit process, as well as the engagement of the external auditor for non-assurance services. The Audit Committee recommended to the Board to re-appoint KPMG as auditor for 2023, and approved its remuneration and the terms of its engagement.

CORPORATE GOVERNANCE REPORT

(Continued)

AUDIT COMMITTEE (Continued)

Four meetings of the Audit Committee were held in 2023. The attendance of committee members during 2023 is set out in the table below:

Audit Committee members	<u>Meetings attended/held</u>
Mr. Nicholas James Debnam (committee chairman)	4/4
Miss Maria Tam Wai Chu	4/4
Mr. Leung Wing Ning	4/4

AUDITOR'S REMUNERATION

During the year ended 31 December 2023, the fees charged for audit services provided to the Group by the external auditor amounted to HK\$4,476,000 (2022: HK\$4,378,000) and, in addition, HK\$2,585,000 (2022: HK\$2,948,000) in fees were charged for non-assurance services provided to the Group by the external auditor, including tax compliance and advisory services, accounting advice, interim review and risk consulting services in relation to enterprise risk management, performance of internal control review procedures on operational controls and COSO (The Committee of Sponsoring Organisations of the Treadway Commission) gap analysis review as approved by the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for evaluating and determining the nature and extent of the risks (including ESG-related risks) it is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems (including for ESG-related risks) and reviewing their effectiveness to safeguard the assets of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has delegated authority to the Audit Committee to assist it in fulfilling the above responsibilities. The management is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems. The Board, through the Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems covering material controls, including financial, operational and compliance controls in the relevant financial year. The Board and the Audit Committee have also considered and reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting.

CORPORATE GOVERNANCE REPORT

(Continued)

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

During the year ended 31 December 2023, the Audit Committee has reviewed and approved the internal audit plan. In view of the size, nature and complexity of the Group's business, the Audit Committee accepted the management's recommendations that an external consultant be engaged to provide assistance on review of the adequacy and effectiveness of the Group's risk management and performance of selected internal control procedures. In the review, we identified a new material risk in relation to the Group's ability to fully meet tenants' expectation on building infrastructure and facilities support, which might reduce the Group's market competitiveness, and thus profitability in its property investment business. Management has taken measures to reduce the potential impact of this risk. The external consultant did not note any material or significant internal control deficiency. The Audit Committee reviewed the findings reported and the agreed actions proposed by management to improve the effectiveness of the Group's internal control systems. Management is responsible for the implementation of the follow-up actions for improvement and making relevant confirmations to the Board.

The Board has adopted a risk management policy (the "Risk Management Policy") which sets out the risk management framework and process from risk identification to risk reporting, with a view to ensuring that there is consistent basis for identifying, evaluating, managing, monitoring and reporting risks across the Group to support the achievement of the Group's strategic objectives on an ongoing basis.

The Board has also approved risk appetite statements to define risk tolerance limits for each type of risk in pursuit of its strategic objectives. Department heads are required to review and monitor key risks on a regular basis. When there are indications that certain risk tolerance limits may be breached, the relevant department heads will escalate to senior management and/or the Board for further action.

To further reduce the occurrence and impact of risks identified, key risks are transferred, eliminated or controlled through risk mitigation measures. Each risk mitigation measure has a risk owner who is responsible for monitoring the status and effectiveness of the risk mitigation measures for the risks under their purview.

A policy on the handling and disclosure of inside information was adopted in 2013 which provides for appropriate internal control and reporting systems to identify and assess potential inside information. The Board has delegated the responsibilities for the handling and dissemination of inside information to the executive Directors, the Company's senior management and the Company Secretary (together known as the "Responsible Officers"). The Responsible Officers maintain appropriate and effective reporting procedures to ensure a timely and structured flow to the Board of information arising from the development or occurrence of relevant events and/or circumstances so that the Board can determine whether disclosure is necessary.

Management has made confirmations to the Board on the effectiveness of the Group's risk management and internal control systems. In view of the above, the Board and the Audit Committee consider that such systems are effective and adequate.

CORPORATE GOVERNANCE REPORT

(Continued)

COMPANY SECRETARY

The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters, and also facilitates the induction and professional development of Directors. The Company Secretary keeps proper records of all meetings of the Board and Board committees (including details of matters considered, concerns raised and decisions reached) which are made available for inspection to Directors at all reasonable times. The biography of the Company Secretary is set out on page 6. The Company Secretary has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

(a) Procedures for Shareholders to convene a special general meeting

The provisions for a Shareholder to convene a special general meeting of the Company are set out in Section 74 of the Bermuda Companies Act 1981 (as amended):

- (1) The directors of a company, notwithstanding anything in its bye-laws shall, on the requisition of members of the company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the company, or, in the case of a company not having a share capital, members of the company representing not less than one-tenth of the total voting rights of all the members having at the said date a right to vote at general meetings of the company, forthwith proceed duly to convene a special general meeting of the company.
- (2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the company, and may consist of several documents in like form each signed by one or more requisitionists.
- (3) If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.
- (4) A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.
- (5) Any reasonable expenses incurred by the requisitionists by reason of the failure of the directors duly to convene a meeting shall be repaid to the requisitionists by the company, and any sum so repaid shall be retained by the company out of any sums due or to become due from the company by way of fees or other remuneration in respect of their services to such directors as were in default.

CORPORATE GOVERNANCE REPORT

(Continued)

SHAREHOLDERS' RIGHTS (Continued)

(b) Procedures for Shareholders to submit enquiries to the Board

Shareholders are welcome to attend AGMs at which they can raise questions directly to the Board and the management of the Company. Alternatively, Shareholders may submit their enquiries in writing to the Board by depositing such enquiries, addressed to the Company Secretary, at the Company's principal office in Hong Kong (as set out in the Corporate Information section of this Annual Report).

A Shareholders' communication policy is published on the Company's website. This policy aims to promote effective communication with Shareholders and other stakeholders; encourage Shareholders to engage actively with the Company; and enable Shareholders to exercise their rights as Shareholders effectively. The Company's corporate communication, announcements and other documents pursuant to the Listing Rules are published on the Stock Exchange's website and the Company's website. As set out in the policy, the primary forum for communication by the Company with its Shareholders is the AGM and other general meetings of the Company. Shareholders are encouraged to participate in general meetings (or to appoint proxies if they are unable to attend), and appropriate arrangements shall be in place to encourage Shareholders' participation at the meetings. Shareholders may send their enquiries about matters to be put to the Board and the Company through the means of contacts set out at the Company's website. Upon reviewing the implementation and effectiveness of the Shareholders' communication policy, the Board considers the policy and its implementation are effective because the policy provides effective channels for Shareholders to communicate their views with the Company and the Company has complied with the principles and required practices set out in the policy.

CORPORATE GOVERNANCE REPORT

(Continued)

SHAREHOLDERS' RIGHTS (Continued)

(c) Procedures for Shareholders to put forward proposals at Shareholders' meetings

To put forward proposals at Shareholders' meeting, a request in writing must be made by:

- (1) Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
- (2) not less than one hundred Shareholders.

The written request must be signed by all Shareholders concerned in one or more documents in like form and deposited at the registered office of the Company (as set out in the Corporate Information section of this Annual Report) for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution; and not less than one week before the meeting in the case of any other requisition. Upon verification that the request is valid, the Company will give notice of the resolution or circulate a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

For enquiries, Shareholders may contact the Company Secretary at the Company's principal office in Hong Kong.

CORPORATE GOVERNANCE REPORT

(Continued)

INVESTOR RELATIONS

During the year ended 31 December 2023, the Company has adopted the amended Bye-Laws at the 2023 AGM in order to, among others, (i) bring the Bye-Laws in line with the amendments made to the Listing Rules, in particular, to conform with the core shareholder protection standards as set out in Appendix A1 to the Listing Rules (which became effective on 1 January 2022); (ii) provide greater flexibility to Shareholders and Directors in relation to how meetings of the Company may be conducted, by providing that general meetings of the Company and meetings of the Board and its committees may be held by electronic means (i.e. through telephone, electronic facilities or other communication facilities where persons participating in the meeting can communicate with each other simultaneously and instantaneously), and that a general meeting may be held as a physical meeting in any part of the world and at one or more locations, as a hybrid meeting or as an electronic meeting; (iii) make other modernising changes, including expressly allowing notices or documents given or issued by the Company to be by electronic means (i.e. as an electronic communication to an electronic address or as a publication on a website), allowing signatures to the Company's notices or documents to be made electronically, and allowing signatures to resolutions in writing signed by the Directors to be made by electronic signature or through a notification of consent; and (iv) make certain housekeeping improvements to update, modernise or clarify provisions of the Bye-Laws where it is considered desirable and to better align the wording with the Listing Rules and the Companies Act 1981 of Bermuda.

Save as disclosed, there was no other change in the Company's memorandum of association and Bye-Laws during the year ended 31 December 2023.

The amended Bye-Laws is available on the Stock Exchange's website and the Company's website.

On behalf of the Board
Sin Kar Tim
Company Secretary

Hong Kong, 27 March 2024

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

The following is a summary of transactions entered into by the Company in 2021 and 2023 which constituted “Continuing Connected Transaction” and “Connected Transaction” respectively for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). For full details of these transactions, please refer to the announcements made by the Company at the relevant time.

- (1) On 30 March 2021, The Wing On Company Limited (“WOCO”), as landlord, entered into a tenancy agreement with Wocom Holdings Limited (“WOCOM”), as tenant, to renew the existing tenancy of the premises at Rooms 1002 to 1006, Wing On Centre, 111 Connaught Road Central, Hong Kong for a fixed term of three years from 8 June 2021 to 7 June 2024 at a monthly rental of HK\$401,000 (exclusive of rates, management fees, air-conditioning charges and any other outgoings). The maximum aggregate annual rental value would be HK\$4,812,000. Since WOCOM is an indirect non-wholly-owned subsidiary of Kee Wai Investment Company (BVI) Limited (“Kee Wai (BVI)”), a substantial shareholder of the Company, which in turn held approximately 61.858% interest in the issued share capital of the Company at the relevant time, this tenancy agreement constitutes a continuing connected transaction of the Company.
- (2) On 8 December 2023, The Wing On Department Stores (Hong Kong) Limited (“WODS”), as tenant, entered into a tenancy agreement with WOCO and The Wing On Properties and Securities Company Limited (“WOPS”), as landlords, to renew the existing tenancy of Basement 1, Portion of Ground Floor and the whole of 1st to 6th Floors, Wing On Kowloon Centre, 345 Nathan Road, Kowloon, Hong Kong (the “Premises”) for a fixed term of three years from 1 January 2024 to 31 December 2026 at a monthly rental of HK\$4,560,000 (exclusive of rates, air-conditioning charges, management fees and all other outgoings). The maximum aggregate annual rental payable to WOPS would be HK\$19,496,736 and the total rental payable to WOPS under the three-year lease term would be HK\$58,490,208. The recognition of a right-of-use asset in respect of the transaction will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) and Rule 14A.24(1) of the Listing Rules. The Premises is jointly owned by WOCO and WOPS in the interest of 64.37% and 35.63% respectively. WODS and WOCO are wholly-owned subsidiaries of the Company. Since WOPS is an indirect non-wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn held approximately 62.139% interest in the issued share capital of the Company at the relevant time, this tenancy agreement constitutes a connected transaction of the Company.

The independent non-executive directors have reviewed and confirmed that the continuing connected transaction disclosed above has been entered into in the ordinary and usual course of business of the Group on normal commercial terms and in accordance with the relevant tenancy agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transaction disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

FIVE YEAR SUMMARY

	2023	2022	2021	2020	2019
Statement of profit or loss items					
(HK\$ million)					
Revenue	1,056	1,041	1,129	1,188	1,371
Profit from operations after finance costs	564	170	480	515	640
Profit/(loss) before taxation	176	(213)	681	(361)	962
Income tax expense	(55)	(89)	(128)	(97)	(196)
Profit/(loss) attributable to shareholders of the Company	123	(301)	552	(456)	766
Underlying profit attributable to shareholders of the Company	478	78	420	439	559
Per share basis (HK\$)					
Basic earnings/(loss) per share	0.42	(1.03)	1.89	(1.56)	2.61
Underlying earnings per share	1.65	0.27	1.44	1.50	1.91
Dividend per share	0.94	0.75	0.80	0.83	1.03
Statement of financial position items					
(HK\$ million)					
Investment properties and other property, plant and equipment	14,898	15,235	15,876	15,938	16,478
Other assets	4,825	4,668	4,763	4,695	4,541
Total assets	19,723	19,903	20,639	20,633	21,019
Current liabilities	416	425	443	446	593
Non-current liabilities	921	892	948	1,001	845
Total liabilities	1,337	1,317	1,391	1,447	1,438
Non-controlling interests	30	32	32	32	34
Total equity attributable to shareholders of the Company	18,356	18,554	19,216	19,154	19,547

PROPERTIES HELD FOR INVESTMENT

Particulars of properties held for investment by the Group are as follows:

Location	Approximate gross floor area	Held by the Group	Category of the lease	Use
1. Portions of Ground and 6th Floors and the whole of 5th and 8th to 29th Floors together with carparking floors on 3rd and 4th Floors, Wing On Centre, 209-211 Des Voeux Road Central and 110-114 Connaught Road Central, Sheung Wan, Hong Kong. Inland Lot No. 7916	446,000 sq.ft.*	100%	Long lease	Commercial
2. Shop Nos. 14-17, 19-23 and 47-51 on Ground Floor, Wing On Plaza, 62 Mody Road, Tsimshatsui East, Kowloon. 8666/26500th shares of and in Kowloon Inland Lot No. 10586	7,000 sq.ft.	100%	Long lease	Commercial
3. Portions of Ground and 12th Floors and the whole of 8th to 11th Floors and 13th to 18th Floors together with carparking floors on Basements 2 and 3, Wing On Kowloon Centre, 345 Nathan Road, Yaumatei, Kowloon. Kowloon Inland Lot Nos. 6501 and 9564, Section A and the Remaining Portion of Kowloon Inland Lot No. 6703	157,000 sq.ft.*	64.37%	Short lease	Commercial
4. The Halbouty Center, 5100 Westheimer, Houston, Harris County, Texas, USA	116,000 sq.ft.*	88.22%	Freehold	Commercial
5. 333 Collins Street, Melbourne, Victoria, Australia	616,000 sq.ft.*	100%	Freehold	Commercial
6. 349 Collins Street, Melbourne, Victoria, Australia	23,000 sq.ft.	100%	Freehold	Commercial

* excluding carparking area for properties with carparking floors



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Wing On Company International Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 49 to 139, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of the Group’s consolidated financial performance and 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 (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WING ON COMPANY INTERNATIONAL LIMITED

(Continued)

(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 for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to note 11 to the consolidated financial statements.

The Key Audit Matter

How the matter was addressed in our Audit

The Group holds a portfolio of investment properties located in Hong Kong, Australia and the United States of America comprising office premises, which had an aggregate fair value of HK\$14.6 billion and accounted for 74% of the Group's total assets as at 31 December 2023.

The fair values of the investment properties as at 31 December 2023 were assessed by the board of directors based on independent valuations prepared by qualified external property valuers.

The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss were HK\$378 million for the year ended 31 December 2023.

The valuation of investment properties is complex and involves a significant degree of judgement and estimation, particularly in determining appropriate capitalisation rates and market rents.

We identified assessing valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's financial statements and because of the significant degree of judgement and estimation involved in assessing the fair values.

Our audit procedures to assess the valuation of investment properties included the following:

- assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity;
- with the assistance of our internal property valuation specialists, evaluating and discussing with the external property valuers whether the valuation methodology adopted is appropriate with reference to the prevailing accounting standard and assessing the key estimates and assumptions adopted in these valuations on a sample basis, which included estimated market rents, capitalisation rates, discount rate and terminal yield rate, by comparing with market available data; and
- comparing, on a sample basis, tenancy information, including committed rents, provided by management to the external property valuers with underlying contracts.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WING ON COMPANY INTERNATIONAL LIMITED

(Continued)

(Incorporated in Bermuda with limited liability)

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WING ON COMPANY INTERNATIONAL LIMITED

(Continued)

(Incorporated in Bermuda with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WING ON COMPANY INTERNATIONAL LIMITED

(Continued)

(Incorporated in Bermuda with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 Cheng Mei Yan Hilary.

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

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Revenue	3(a)	1,056,194	1,041,028
Other revenue	4	140,654	103,297
Other net gain/(loss)	4	114,258	(240,248)
Cost of department store sales	5(d)	(287,754)	(274,945)
Cost of property leasing activities	5(b)	(106,012)	(98,259)
Other operating expenses	5(c)	<u>(352,747)</u>	<u>(360,254)</u>
Profit from operations		564,593	170,619
Finance costs	5(a)	<u>(483)</u>	<u>(1,068)</u>
Net valuation loss on investment properties	11(a)	564,110 <u>(378,055)</u>	169,551 <u>(365,883)</u>
Share of loss of an associate	12	186,055 <u>(9,948)</u>	(196,332) <u>(16,185)</u>
Profit/(loss) before taxation	5	176,107	(212,517)
Income tax	6	<u>(54,990)</u>	<u>(89,096)</u>
Profit/(loss) for the year		<u>121,117</u>	<u>(301,613)</u>
Attributable to:			
Shareholders of the Company		123,360	(300,946)
Non-controlling interests		<u>(2,243)</u>	<u>(667)</u>
Profit/(loss) for the year		<u>121,117</u>	<u>(301,613)</u>
Basic and diluted earnings/(loss) per share	9(a)	<u>42.4 cents</u>	<u>(103.3) cents</u>

The notes on pages 57 to 139 form part of these financial statements. Details of dividends payable to shareholders of the Company are set out in note 23(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	2023		2022	
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the year		121,117		(301,613)
		-----		-----
Other comprehensive income for the year (with nil tax effect and after reclassification adjustments):				
Item that will not be reclassified subsequently to profit or loss:				
– other investments at fair value through other comprehensive income		(7,100)		(12,865)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries		12,125		(201,699)
– share of exchange differences on translation of financial statements of an overseas associate		(2,736)		(6,137)
		-----		-----
		9,389		(207,836)
Other comprehensive income for the year		2,289		(220,701)
		-----		-----
Total comprehensive income for the year		123,406		(522,314)
		=====		=====
Attributable to:				
Shareholders of the Company		125,635		(521,694)
Non-controlling interests		(2,229)		(620)
		-----		-----
Total comprehensive income for the year		123,406		(522,314)
		=====		=====

The notes on pages 57 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Non-current assets			
Investment properties	11(a)	14,601,720	14,939,515
Other property, plant and equipment	11(a)	<u>296,050</u>	<u>295,370</u>
		14,897,770	15,234,885
Interest in an associate	12	330,490	343,174
Other investments	13	119,637	126,737
Prepayments	16	<u>19,556</u>	<u>–</u>
		<u>15,367,453</u>	<u>15,704,796</u>
Current assets			
Trading securities	14	1,872,390	1,673,297
Inventories	15(a)	76,763	73,766
Debtors, deposits and prepayments	16	75,024	72,640
Amounts due from fellow subsidiaries	17	9,516	15,576
Current tax recoverable	22(a)	7,808	87
Other bank deposits	18(a)	592,027	800,386
Cash and cash equivalents	18(a)	<u>1,721,409</u>	<u>1,562,081</u>
		<u>4,354,937</u>	<u>4,197,833</u>
Current liabilities			
Creditors and accrued charges	19	367,289	370,255
Contract liabilities	20	20,108	20,051
Lease liabilities	21	16,534	20,025
Amounts due to fellow subsidiaries	17	2,477	3,152
Current tax payable	22(a)	<u>9,558</u>	<u>12,000</u>
		<u>415,966</u>	<u>425,483</u>
Net current assets		<u>3,938,971</u>	<u>3,772,350</u>
Total assets less current liabilities carried forward		<u>19,306,424</u>	<u>19,477,146</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Continued)

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Total assets less current liabilities brought forward		19,306,424	19,477,146
Non-current liabilities			
Lease liabilities	21	36,855	816
Long service payment liabilities	10(b)	2,699	–
Deferred tax liabilities	22(c)	881,538	891,064
		<u>921,092</u>	<u>891,880</u>
NET ASSETS		<u>18,385,332</u>	<u>18,585,266</u>
Capital and reserves			
Share capital	23(d)	29,042	29,093
Reserves		<u>18,326,788</u>	<u>18,524,442</u>
Total equity attributable to shareholders of the Company		18,355,830	18,553,535
Non-controlling interests		<u>29,502</u>	<u>31,731</u>
TOTAL EQUITY		<u>18,385,332</u>	<u>18,585,266</u>

Approved and authorised for issue by the board of directors on 27 March 2024.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 57 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Land and building Share capital	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings	Total	Non- controlling interests	Total equity	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Note		(note 23(d))	(note 23(e)(i))	(note 23(e)(ii))	(note 23(e)(iii))	(note 23(e)(iv))	(note 23(e)(v))	(note 23(a))			
	At 1 January 2023	29,093	278,710	111,819	(397,764)	754,347	3,111	17,774,219	18,553,535	31,731	18,585,266
Changes in equity for 2023											
	Profit for the year	-	-	-	-	-	-	123,360	123,360	(2,243)	121,117
	Other comprehensive income for the year	-	-	(7,100)	9,375	-	-	-	2,275	14	2,289
	Total comprehensive income for the year	-	-	(7,100)	9,375	-	-	123,360	125,635	(2,229)	123,406
	Purchase of own shares 23(d)										
	- par value paid	(51)	-	-	-	-	-	-	(51)	-	(51)
	- premium and transaction costs paid	-	-	-	-	-	-	(6,474)	(6,474)	-	(6,474)
	Dividends approved and paid in respect of the previous year 23(c)(ii)	-	-	-	-	-	-	(218,021)	(218,021)	-	(218,021)
	Dividends declared and paid in respect of the current year 23(c)(i)	-	-	-	-	-	-	(98,794)	(98,794)	-	(98,794)
		(51)	-	(7,100)	9,375	-	-	(199,929)	(197,705)	(2,229)	(199,934)
	At 31 December 2023	29,042	278,710	104,719	(388,389)	754,347	3,111	17,574,290	18,355,830	29,502	18,385,332

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company								
		Land and building	Investment	Exchange	Contributed	General	Retained		Non-	Total
	Share	revaluation	revaluation	reserve	surplus	reserve	earnings	Total	controlling	equity
	capital	reserve	reserve	reserve	surplus	fund	earnings	Total	interests	equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note	(note 23(d))	(note 23(e)(i))	(note 23(e)(ii))	(note 23(e)(iii))	(note 23(e)(iv))	(note 23(e)(v))	(note 23(a))			
At 1 January 2022	29,141	278,710	124,684	(189,881)	754,347	2,788	18,216,530	19,216,319	32,351	19,248,670
Changes in equity for 2022										
Loss for the year	-	-	-	-	-	-	(300,946)	(300,946)	(667)	(301,613)
Other comprehensive income for the year	-	-	(12,865)	(207,883)	-	-	-	(220,748)	47	(220,701)
Total comprehensive income for the year	-	-	(12,865)	(207,883)	-	-	(300,946)	(521,694)	(620)	(522,314)
Purchase of own shares 23(d)										
- par value paid	(48)	-	-	-	-	-	-	(48)	-	(48)
- premium and transaction costs paid	-	-	-	-	-	-	(7,056)	(7,056)	-	(7,056)
Dividends approved and paid in respect of the previous year 23(c)(ii)	-	-	-	-	-	-	(133,986)	(133,986)	-	(133,986)
Share of the general reserve fund of an associate: transfer to the general reserve fund	-	-	-	-	-	323	(323)	-	-	-
	(48)	-	(12,865)	(207,883)	-	323	(442,311)	(662,784)	(620)	(663,404)
At 31 December 2022	29,093	278,710	111,819	(397,764)	754,347	3,111	17,774,219	18,553,535	31,731	18,585,266

The notes on pages 57 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Operating activities			
Profit/(loss) before taxation		176,107	(212,517)
Adjustments for:			
Net valuation loss on investment properties		378,055	365,883
Depreciation and amortisation		88,629	86,506
Impairment losses of other debtors		650	961
Bad debts written off		1,905	2,206
Finance costs		483	1,068
Dividend income from investments in securities		(28,820)	(30,470)
Interest income from bank deposits		(94,685)	(32,467)
Interest income from investments in securities		(11,201)	(9,063)
Share of loss of an associate		9,948	16,185
Net loss on disposal of plant and equipment		59	15
Net foreign exchange loss/(gain)		1,036	(4,156)
		522,166	184,151
Operating profit before changes in working capital			
Increase in trading securities		(199,093)	(101,643)
(Increase)/decrease in inventories		(2,997)	2,582
Increase in debtors, deposits and prepayments		(13)	(7,319)
Decrease/(increase) in amounts due from fellow subsidiaries		6,060	(7,432)
Increase in lease incentives		(39,087)	(22,307)
(Decrease)/increase in creditors and accrued charges		(678)	22,414
Increase/(decrease) in contract liabilities		57	(631)
Decrease in amounts due to fellow subsidiaries		(675)	(280)
Increase in long service payment liabilities		2,699	–
		288,439	69,535
Cash generated from operations			
Tax paid			
– Hong Kong Profits Tax paid		(45,996)	(40,778)
– Overseas tax paid		(31,043)	(35,005)
		211,400	(6,248)
Net cash generated from/(used in) operating activities			
		211,400	(6,248)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Continued)

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Investing activities			
Payment for purchases of investment properties and other property, plant and equipment		(28,034)	(15,869)
Proceeds from disposal of plant and equipment		102	117
Interest income received from bank deposits		90,336	21,404
Interest income received from investments in securities		11,201	9,063
Prepayments for purchases of other property, plant and equipment		(19,556)	–
Dividends received from investments in securities		28,267	30,345
Decrease/(increase) in other bank deposits		208,359	(800,386)
		290,675	(755,326)
Financing activities			
Capital element of lease rentals paid	18(b)	(19,772)	(21,194)
Interest element of lease rentals paid	18(b)	(483)	(713)
Payment for purchase of own shares	23(d)	(6,525)	(7,104)
Repayment of bank loan	18(b)	–	(33,517)
Interest paid on bank loan	18(b)	–	(512)
Dividends paid to shareholders of the Company		(316,815)	(133,986)
		(343,595)	(197,026)
Net increase/(decrease) in cash and cash equivalents		158,480	(958,600)
Cash and cash equivalents at 1 January		1,562,081	2,544,963
Effect of foreign exchange rate changes		848	(24,282)
Cash and cash equivalents at 31 December	18(a)	1,721,409	1,562,081

The notes on pages 57 to 139 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies

(a) Statement of compliance

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

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and key sources of estimation uncertainty are discussed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(c) Changes in accounting policies

(i) New and amended HKFRSs

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(c) Changes in accounting policies (Continued)

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

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liabilities and has applied the aforesaid HKICPA guidance. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability. However, considering the amount of the catch-up profit or loss adjustment was immaterial, the Group did not restate the comparative figure for the consolidated financial statements. This change in accounting policy did not have a material impact on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(d) Subsidiaries and non-controlling interests

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

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

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(iii)).

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries and an associate, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in the consolidated statement of profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 24(b)(vi). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(f) Other investments in securities (Continued)

(i) Non-equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 1(t)(v)), foreign exchange gains and losses are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.
- fair value through other comprehensive income (“FVOCI”) (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method (see note 1(t)(v)) and foreign exchange gains and losses are recognised in the consolidated statement of profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in consolidated other comprehensive income. When the investment is derecognised, the amount accumulated in the consolidated other comprehensive income is recycled from equity to the consolidated statement of profit or loss.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(f) Other investments in securities (Continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in the consolidated other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the investment revaluation reserve is transferred to retained earnings and not recycled through the consolidated statement of profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in the consolidated statement of profit or loss as other income (see note 1(t)(iii)).

(g) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in the consolidated statement of profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(h) Investment properties

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

Investment property is initially measured at cost, and subsequently at fair value with changes therein recognised in the consolidated statement of profit or loss.

Any gain or loss on disposal of investment property is recognised in the consolidated statement of profit or loss. Rental income from investment properties is recognised in accordance with note 1(t)(ii).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see note 1(k)(iii)):

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(j)).

The Group has taken advantage of the provisions set out in paragraph 80A of HKAS 16, Property, plant and equipment, issued by the HKICPA, with the effect that the land and building which was revalued by the directors in 1981 has not been revalued to fair value at the end of each reporting period.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the consolidated statement of profit or loss. Upon disposal of the land and building which was revalued in 1981, the attributable revaluation surplus will be transferred from the land and building revaluation reserve to retained earnings and not to the consolidated statement of profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as an investment property. Any gain arising on remeasurement is recognised in the consolidated statement of profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in the consolidated other comprehensive income and presented in the land and building revaluation reserve in equity. Any loss is recognised immediately in the consolidated statement of profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment using the straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(i) Property, plant and equipment (Continued)

The estimated useful lives for the current and comparative periods are as follows:

– Ownership interests in leasehold land and buildings	22 - 999 years
– Furniture and fixtures	10% - 20% per annum
– Computer hardware and software	20% per annum
– Motor vehicles	25% per annum
– Other properties leased for own use are depreciated over the unexpired term of leases.	

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

(j) Leased assets

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

(i) As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases other than properties leased for own use.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(k)(iii)), except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(h).

The lease liability is remeasured if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the lease modification.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

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

(ii) As a lessor

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

Rental income from operating leases is recognised in accordance with note 1(t)(ii).

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (“ECL”s) on the following items:

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

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

Measurement of ECLs

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

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

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

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); or
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

Write-off policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

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

(ii) Credit losses from financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s accounting policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the consolidated statement of profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the consolidated statement of profit or loss over the term of the guarantee as income.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

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

(iii) Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties carried at revalued amounts, inventories and deferred tax assets) to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount except for the land and building which was revalued in 1981 (see note 1(i)).

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

When an impairment loss arises on the land and building which was revalued in 1981, it will first be charged against the attributable balance relating to that property included in the land and building revaluation reserve in equity and any excess will be charged to the consolidated statement of profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(l) Inventories

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

Cost is determined on a weighted average basis and includes the direct costs of purchase. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business subsequent to the end of the reporting period or to management estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or when the circumstances that previously caused inventories to be written down below cost no longer exist, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Receivables are subsequently stated at amortised cost less ECLs (see note 1(k)(i)).

(n) Trade and other payables

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

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(t)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 1(m)).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. For the purposes of the consolidated statement of cash flows, cash equivalents exclude bank deposits with a maturity of more than three months when placed. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(k)(i).

(q) Employee benefits

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

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

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

- (ii) Defined benefit plan obligations

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

The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

- (iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity or in the consolidated other comprehensive income.

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(r) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

(s) Provisions and contingent liabilities

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

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

(t) Revenue and other income

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

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, except that the Group acts as an agent for concession and consignment sales.

In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the goods before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the goods. The Group is a principal if it obtains control of the goods before they are transferred to the customers. The Group is an agent if its performance obligation is to arrange for the provision of the goods by another party. In the case for concession and consignment sales, the Group does not control the goods provided by concessionaries and consignors before goods are transferred to the customers.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(t) Revenue and other income (Continued)

Revenue is recognised when control over a good or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, net of returns and trade discounts, excluding those amounts collected on behalf of third parties.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15, Revenue from contracts with customers, and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

Revenue from contracts with customers

(i) Sale of goods

Revenue arising from the sale of goods and net income from concession and consignment sales are recognised when the customer takes possession of and accepts the goods.

Revenue from other sources and other income

(ii) Rental income from operating leases

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

(iii) Dividends

Dividend income from listed securities is recognised when the share price of the security goes ex-dividend. Dividend income from unlisted investments is recognised in the accounting period in which it is declared or proposed and approved by shareholders of the investee company.

(iv) Profit on sale of trading securities

Profit on sale of trading securities is recognised on the trade date basis.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(t) Revenue and other income (Continued)

Revenue from other sources and other income (Continued)

(vi) Government grants

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

(u) Translation of foreign currencies

The functional currency of the Company and its subsidiaries which operate in Hong Kong is Hong Kong dollars while those for subsidiaries which operate in overseas are in their respective local currencies. The presentation currency of the Group is Hong Kong dollars.

Transactions in foreign currencies are translated into the respective functional currencies of the group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the consolidated statement of profit or loss.

However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in the consolidated other comprehensive income are reclassified to the consolidated statement of profit or loss) are recognised in the consolidated other comprehensive income.

The assets and liabilities of foreign operations are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in the consolidated other comprehensive income and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(u) Translation of foreign currencies (Continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss as part of the gain or loss on disposal.

On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to the consolidated statement of profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to the NCI. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of profit or loss.

(v) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (c) both entities are joint ventures of the same third party;
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Material accounting policies (Continued)

(v) Related parties (Continued)

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

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

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

(w) Segment reporting

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

2. Sources of estimation uncertainty

Note 24 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Valuation of investment properties

As described in note 11(c), the investment properties were revalued by independent professional valuers as at 31 December 2023. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the Group's results in future years.

(b) Valuation of inventories

The Group performs bi-annual reviews of the carrying amounts of inventories and estimates the provision for obsolete and slow-moving inventories with reference to ageing analysis and projections of expected future salability based on management experience and judgement. As a result of these reviews, a write-down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to ever changing consumption preferences, any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversal of write-downs made in prior years and affect the Group's results in future accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the operation of department stores and property investment.

The Group's revenue comprised the invoiced value of goods sold to customers less returns, net income from concession sales and consignment sales and income from property investment and disaggregation of revenue by category is analysed as follows:

	2023 \$'000	2022 \$'000
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Department stores (recognised at a point in time)		
– Sales of goods	423,320	399,598
– Net income from concession sales	153,955	141,670
– Net income from consignment sales	62,109	62,480
	<u>639,384</u>	<u>603,748</u>
Property investment (recognised over time)		
– Building management fees and other rental related income	58,447	57,666
Under the scope of HKFRS 16, Leases:		
Property investment		
– Gross rentals from investment properties	358,363	379,614
	<u>1,056,194</u>	<u>1,041,028</u>

Disaggregation of revenue from contracts with customers by geographical locations is disclosed in note 3(b)(iii).

The Group's customer base is diversified and does not have any customer with whom transactions have exceeded 10% of the Group's total revenue.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting

The Group manages its business by two divisions, namely department stores and property investment. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Department stores: this segment operates department stores in Hong Kong.
- Property investment: this segment leases commercial premises to generate rental income. Currently the Group's investment property portfolio is located in Hong Kong, Australia and the United States of America ("USA").

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all tangible assets and current assets with the exception of interest in an associate, investments in financial assets, current tax recoverable and other corporate assets. Segment liabilities include trade and other creditors, accrued charges, lease liabilities and contract liabilities managed directly by the segments.
- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit from operations before interest income.

In addition to receiving segment information concerning segment profit, the Group's most senior executive management is provided with segment information concerning revenue (including inter-segment revenue), finance costs on lease liabilities and bank borrowings managed directly by the segments, depreciation and amortisation, bad debts written off and additions to non-current segment assets used by the segments in their operations.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

	Department stores		Property investment		Total	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	639,384	603,748	416,810	437,280	1,056,194	1,041,028
Inter-segment revenue	–	–	111,021	110,961	111,021	110,961
Reportable segment revenue	<u>639,384</u>	<u>603,748</u>	<u>527,831</u>	<u>548,241</u>	<u>1,167,215</u>	<u>1,151,989</u>
Reportable segment profit/(loss)	<u>(2,805)</u>	<u>(21,277)</u>	<u>388,198</u>	<u>427,980</u>	<u>385,393</u>	<u>406,703</u>
Finance costs	483	713	–	355	483	1,068
Depreciation and amortisation for the year	25,725	29,292	62,016	55,905	87,741	85,197
Bad debts written off	–	31	1,905	2,175	1,905	2,206
Reportable segment assets	188,439	132,300	14,867,385	15,235,368	15,055,824	15,367,668
Additions to non-current segment assets during the year	72,969	5,894	26,534	33,807	99,503	39,701
Reportable segment liabilities	<u>280,426</u>	<u>249,836</u>	<u>122,707</u>	<u>118,792</u>	<u>403,133</u>	<u>368,628</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit, assets and liabilities

	2023	2022
	\$'000	\$'000
Profit		
Reportable segment profit	385,393	406,703
Share of loss of an associate	(9,948)	(16,185)
Other revenue	139,860	77,700
Other net gain/(loss)	114,258	(240,248)
Finance costs	(483)	(1,068)
Net valuation loss on investment properties	(378,055)	(365,883)
Unallocated head office and corporate expenses	<u>(74,918)</u>	<u>(73,536)</u>
Consolidated profit/(loss) before taxation	<u>176,107</u>	<u>(212,517)</u>
Assets		
Reportable segment assets	15,055,824	15,367,668
Elimination of inter-segment receivables	<u>(3,572)</u>	<u>(3,599)</u>
	15,052,252	15,364,069
Interest in an associate	330,490	343,174
Other investments	119,637	126,737
Trading securities	1,872,390	1,673,297
Current tax recoverable	7,808	87
Unallocated head office and corporate assets	<u>2,339,813</u>	<u>2,395,265</u>
Consolidated total assets	<u>19,722,390</u>	<u>19,902,629</u>
Liabilities		
Reportable segment liabilities	403,133	368,628
Elimination of inter-segment payables	<u>(3,572)</u>	<u>(3,599)</u>
	399,561	365,029
Current tax payable	9,558	12,000
Deferred tax liabilities	881,538	891,064
Unallocated head office and corporate liabilities	<u>46,401</u>	<u>49,270</u>
Consolidated total liabilities	<u>1,337,058</u>	<u>1,317,363</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties and other property, plant and equipment, interest in an associate and non-current prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of investment properties, other property, plant and equipment and non-current prepayments and the location of operations in the case of interest in an associate.

	Revenue from		Specified	
	external customers		non-current assets	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	941,332	910,979	11,094,279	11,365,757
Australia	111,577	125,403	3,658,676	3,679,271
USA	3,285	4,646	321,918	340,423
The People's Republic of China ("the PRC")	—	—	172,943	192,608
	<u>114,862</u>	<u>130,049</u>	<u>4,153,537</u>	<u>4,212,302</u>
	<u>1,056,194</u>	<u>1,041,028</u>	<u>15,247,816</u>	<u>15,578,059</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4. Other revenue and other net gain/(loss)

	2023	2022
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	94,685	32,467
Dividend income from investments in securities	28,820	30,470
Compensation received on early termination of leases	794	13,359
Government grants (note)	–	13,147
Interest income from investments in securities	11,201	9,063
Others	5,154	4,791
	<u>140,654</u>	<u>103,297</u>

Note:

In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government, the purpose of which was to provide financial support to employers to retain their current employees or hire more employees when the business revived. Under the terms of the Employment Support Scheme, the Group was required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

	2023	2022
	\$'000	\$'000
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of trading securities	43,532	(259,475)
Net gain/(loss) on disposal of		
– trading securities	32,131	(5,590)
– derivative financial instruments	39,793	25,552
Net foreign exchange loss	(1,139)	(720)
Net loss on disposal of plant and equipment	(59)	(15)
	<u>114,258</u>	<u>(240,248)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2023	2022
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	–	355
Interest on lease liabilities	483	713
	<u>483</u>	<u>1,068</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(416,810)	(437,280)
Less: direct outgoings	106,012	98,259
	<u>(310,798)</u>	<u>(339,021)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
– salaries, wages and other benefits	176,057	176,235
– contributions to defined contribution retirement plans	9,214	9,390
– expenses recognised in respect of long service payment liabilities	2,699	–
	<u>187,970</u>	<u>185,625</u>
Less: included in cost of property leasing activities	(3,780)	(3,297)
	<u>184,190</u>	<u>182,328</u>
Directors' emoluments (note 7)	25,006	30,133
Depreciation (note 11(a))		
– owned plant and equipment	9,903	12,203
– right-of-use assets (note 11(d))	44,753	46,359
Auditors' remuneration		
– audit services	4,476	4,378
– tax services	502	582
– other services	2,083	2,366
Impairment losses of other debtors	650	961
Bad debts written off	1,905	2,206
Expenses relating to short-term leases	54	55
Advertising expenses	9,171	9,519
Electricity, water and gas	8,705	7,867
Credit card commission	5,839	6,003
Information technology expenses	5,595	5,619
Government rent and rates	5,258	5,421

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5. Profit/(loss) before taxation (Continued)

Profit/(loss) before taxation is arrived at after charging/(crediting) (Continued):

	2023	2022
	\$'000	\$'000
(d) Other items		
Amortisation on lease incentives (note 11(a))	33,973	27,944
Cost of inventories sold (note 15(b))	<u>287,754</u>	<u>274,945</u>

6. Income tax in the consolidated statement of profit or loss

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

	2023	2022
	\$'000	\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	43,463	46,121
Over-provision in respect of prior years	<u>(158)</u>	<u>(631)</u>
	----- 43,305	----- 45,490
Current tax - Overseas		
Provision for the year	23,777	31,363
Over-provision in respect of prior years	<u>(2)</u>	<u>(91)</u>
	----- 23,775	----- 31,272
Deferred tax (note 22(b))		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	(20,912)	14,167
– other temporary differences	<u>8,822</u>	<u>(1,833)</u>
	----- (12,090)	----- 12,334
Total income tax expense	<u>54,990</u>	<u>89,096</u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

6. Income tax in the consolidated statement of profit or loss (Continued)

(b) Reconciliation between tax expense and accounting profit/(loss) at the applicable tax rate:

	2023	2022
	\$'000	\$'000
Profit/(loss) before taxation	<u>176,107</u>	<u>(212,517)</u>
Notional Hong Kong Profits Tax calculated at 16.5% (2022: 16.5%)	29,058	(35,065)
Tax effect of non-deductible expenses	77,647	123,584
Tax effect of non-taxable revenue	(62,197)	(22,369)
Tax effect of unused tax losses not recognised	1,633	5,857
Tax effect of previously unrecognised tax losses utilised this year	(87)	(188)
Tax effect of other temporary differences not recognised	(52)	32
Effect of different tax rates of subsidiaries operating in other jurisdictions	9,094	16,969
Effect of overseas withholding tax	278	448
Over-provision in respect of prior years	(160)	(722)
Others	<u>(224)</u>	<u>550</u>
Actual tax expense	<u>54,990</u>	<u>89,096</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7. Directors' emoluments

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

	2023				
	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Contributions to defined contribution retirement plans \$'000	Total \$'000
Executive directors					
Mr. Karl C. Kwok	258	6,501	449	18	7,226
Mr. Lester Kwok	258	5,796	414	18	6,486
Dr. Bill Kwok	258	4,373	312	18	4,961
Mr. Mark Kwok	258	3,707	265	318	4,548
	1,032	20,377	1,440	372	23,221
Independent non-executive directors					
Miss Maria Tam Wai Chu	258	150	–	–	408
Mr. Leung Wing Ning	258	445	–	–	703
Mr. Nicholas James Debnam	258	416	–	–	674
	774	1,011	–	–	1,785
	1,806	21,388	1,440	372	25,006

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

7. Directors' emoluments (Continued)

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

	2022				
	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Discretionary bonuses \$'000	Contributions to defined contribution retirement plans \$'000	Total \$'000
Executive directors					
Mr. Karl C. Kwok	248	6,254	2,278	18	8,798
Mr. Lester Kwok	248	5,576	2,101	18	7,943
Dr. Bill Kwok	248	4,200	1,582	18	6,048
Mr. Mark Kwok	248	3,567	1,344	306	5,465
	992	19,597	7,305	360	28,254
Independent non-executive directors					
Miss Maria Tam Wai Chu	248	144	–	–	392
Mr. Iain Ferguson Bruce	103	60	–	–	163
Mr. Leung Wing Ning	248	428	–	–	676
Mr. Nicholas James Debnam	248	400	–	–	648
	847	1,032	–	–	1,879
	1,839	20,629	7,305	360	30,133

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, four (2022: four) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other one individual (2022: one individual) is as follows:

	2023	2022
	\$'000	\$'000
Salaries, allowances and benefits in kind	6,738	5,854
Contributions to defined contribution retirement plans	533	476
Discretionary bonuses	444	2,091
	7,715	8,421
	7,715	8,421

The emoluments of the one individual (2022: one individual) with the highest emoluments are within the following bands:

	Number of individuals	
	2023	2022
\$		
7,500,001 – 8,000,000	1	–
8,000,001 – 8,500,000	–	1
	1	1
	1	1

9. Basic and diluted earnings/(loss) per share

- (a) The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to shareholders of the Company for the year ended 31 December 2023 of \$123,360,000 (2022: loss of \$300,946,000) divided by the weighted average of 290,718,000 shares (2022: 291,235,000 shares) in issue during the year.

Weighted average number of shares:

	2023	2022
	'000	'000
Issued shares at 1 January	290,931	291,408
Effect of shares purchased	(213)	(173)
	290,718	291,235
Weighted average number of shares in issue during the year	290,718	291,235

There were no dilutive potential shares outstanding throughout the years presented.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9. Basic and diluted earnings/(loss) per share (Continued)

(b) Adjusted basic earnings/(loss) per share excluding the net valuation loss on investment properties net of related deferred tax thereon

For the purpose of assessing the underlying performance of the Group, management is of the view that the profit/(loss) for the year should be adjusted for the net valuation loss on investment properties net of related deferred tax thereon in arriving at the “underlying profit attributable to shareholders of the Company”.

The difference between the underlying profit attributable to shareholders of the Company and profit/(loss) attributable to shareholders of the Company as shown in the consolidated statement of profit or loss for the year is reconciled as follows:

	2023		2022	
	\$'000	Amount per share cents	\$'000	Amount per share cents
Profit/(loss) attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	123,360	42.4	(300,946)	(103.3)
Add: net valuation loss on investment properties	378,055	130.0	365,883	125.6
(Less)/add: (decrease)/increase in deferred tax liabilities in relation to the net valuation (loss)/gain on investment properties	(20,912)	(7.1)	14,167	4.8
	<u>480,503</u>	<u>165.3</u>	<u>79,104</u>	<u>27.1</u>
Less: valuation loss on investment property net of related deferred tax thereon attributable to non-controlling interests	(2,384)	(0.8)	(684)	(0.2)
Underlying profit attributable to shareholders of the Company	<u>478,119</u>	<u>164.5</u>	<u>78,420</u>	<u>26.9</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10. Long service payment liabilities

- (a) The Group operates a Mandatory Provident Fund Scheme (the “MPF scheme”) and a number of MPF exempted defined contribution retirement plans (“MPF exempted schemes”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment if the eligibility criteria are met. Both the MPF scheme and the MPF exempted schemes are defined contribution retirement plans administered by independent trustees. The Group is required to make contributions to the MPF exempted schemes based on a percentage of the employees’ basic monthly salaries which is dependent on their length of service within the Group. The Group’s contributions to the MPF scheme vest immediately while the Group’s contributions to the MPF exempted schemes vest according to the length of service within the Group. Forfeited contributions in the MPF exempted schemes are allocated to existing employees. The Group’s total contributions for the year were \$9,586,000 (2022: \$9,750,000).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

10. Long service payment liabilities (Continued)

- (b) Hong Kong employees that have been employed continuously for at least five years are entitled to LSP in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at \$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme or MPF exempted schemes, with an overall cap of \$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly wages immediately before the Transition Date and the years of service up to that date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in notes 1(c)(ii) and 1(q)(ii).

The Group has determined that the amount of the catch-up profit or loss adjustment for 2022 as a result of the Amendment Ordinance was immaterial and did not restate the comparative figure for the consolidated financial statements. The LSP liabilities of \$2,699,000 is recognised at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment

(a)

	Ownership interests in land and buildings held for own use \$'000	Other properties leased for own use \$'000	Plant and equipment \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:						
At 1 January 2023	814,670	62,063	504,880	1,381,613	14,844,628	16,226,241
Exchange adjustments	-	-	3	3	10,883	10,886
Additions	-	52,320	3,177	55,497	24,857	80,354
Disposals	-	(61,780)	(66,234)	(128,014)	-	(128,014)
Fair value adjustment	-	-	-	-	(378,055)	(378,055)
	<u>814,670</u>	<u>52,603</u>	<u>441,826</u>	<u>1,309,099</u>	<u>14,502,313</u>	<u>15,811,412</u>
	814,670	52,603	441,826	1,309,099	14,502,313	15,811,412
Accumulated depreciation and impairment losses:						
At 1 January 2023	577,266	42,618	466,359	1,086,243	-	1,086,243
Exchange adjustments	-	-	3	3	-	3
Depreciation for the year (note 5(c))	25,178	19,304	10,174	54,656	-	54,656
Written back on disposals	-	(61,780)	(66,073)	(127,853)	-	(127,853)
	<u>602,444</u>	<u>142</u>	<u>410,463</u>	<u>1,013,049</u>	<u>-</u>	<u>1,013,049</u>
	602,444	142	410,463	1,013,049	-	1,013,049
Lease incentives:						
At 1 January 2023	-	-	-	-	94,887	94,887
Exchange adjustments	-	-	-	-	(594)	(594)
Additions (note (g))	-	-	-	-	39,087	39,087
Amortisation for the year (note 5(d))	-	-	-	-	(33,973)	(33,973)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,407</u>	<u>99,407</u>
	-	-	-	-	99,407	99,407
Net book value:						
At 31 December 2023	<u>212,226</u>	<u>52,461</u>	<u>31,363</u>	<u>296,050</u>	<u>14,601,720</u>	<u>14,897,770</u>
	212,226	52,461	31,363	296,050	14,601,720	14,897,770

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

(a) (Continued)

	Ownership interests in land and buildings held for own use \$'000	Other properties leased for own use \$'000	Plant and equipment \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:						
At 1 January 2022	814,670	62,381	500,141	1,377,192	15,423,192	16,800,384
Exchange adjustments	-	-	(34)	(34)	(222,717)	(222,751)
Additions	-	187	7,096	7,283	10,036	17,319
Disposals	-	(505)	(2,323)	(2,828)	-	(2,828)
Fair value adjustment	-	-	-	-	(365,883)	(365,883)
	<u>814,670</u>	<u>62,063</u>	<u>504,880</u>	<u>1,381,613</u>	<u>14,844,628</u>	<u>16,226,241</u>
At 31 December 2022	814,670	62,063	504,880	1,381,613	14,844,628	16,226,241
Accumulated depreciation and impairment losses:						
At 1 January 2022	552,088	22,107	456,141	1,030,336	-	1,030,336
Exchange adjustments	-	-	(28)	(28)	-	(28)
Depreciation for the year (note 5(c))	25,178	20,947	12,437	58,562	-	58,562
Written back on disposals	-	(436)	(2,191)	(2,627)	-	(2,627)
	<u>577,266</u>	<u>42,618</u>	<u>466,359</u>	<u>1,086,243</u>	<u>-</u>	<u>1,086,243</u>
At 31 December 2022	577,266	42,618	466,359	1,086,243	-	1,086,243
Lease incentives:						
At 1 January 2022	-	-	-	-	106,283	106,283
Exchange adjustments	-	-	-	-	(5,759)	(5,759)
Additions (note (g))	-	-	-	-	22,307	22,307
Amortisation for the year (note 5(d))	-	-	-	-	(27,944)	(27,944)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,887</u>	<u>94,887</u>
At 31 December 2022	-	-	-	-	94,887	94,887
Net book value:						
At 31 December 2022	<u>237,404</u>	<u>19,445</u>	<u>38,521</u>	<u>295,370</u>	<u>14,939,515</u>	<u>15,234,885</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

- (b) In preparing these financial statements, advantage has been taken of the provisions set out in paragraph 80A of HKAS 16, Property, plant and equipment, issued by the HKICPA, with the effect that the land and buildings which were revalued by the directors in 1981 at \$141,115,000 have not been revalued to fair value at the end of the reporting period. The carrying amount of the relevant land and buildings of the Group as at 31 December 2023 is \$68,514,000 (2022: \$70,244,000).

The carrying amount of the land and buildings of the Group which were revalued in 1981 that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation as at 31 December 2023 is \$23,226,000 (2022: \$23,898,000).

(c) Fair value measurement of investment properties

- (i) Fair value hierarchy

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

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

At 31 December 2023 and 2022, all of the Group's investment properties fall into Level 3 of the fair value hierarchy as described above.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

(c) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

The analysis of valuation of the investment properties of the Group is as follows:

	2023	2022
	\$'000	\$'000
Investment properties:		
– leasehold in Hong Kong	10,779,145	11,070,942
– freehold outside Hong Kong	<u>3,723,168</u>	<u>3,773,686</u>
	<u>14,502,313</u>	<u>14,844,628</u>

Investment properties of the Group were revalued as at 31 December 2023 by firms of independent surveyors, who have among their staff professionals with recent experience in the locations and the categories of the properties being valued.

The investment properties of the Group situated in Hong Kong were revalued by Cushman & Wakefield Limited, who have among their staff members of the Hong Kong Institute of Surveyors.

The investment properties of the Group situated outside Hong Kong were revalued either by M3 Property Australia Pty. Ltd., Certified Practising Valuers, who have among their staff members of the Australian Property Institute, or Bolton, Baer & White LLC., General Real Estate Appraisers, who have among their staff members of the Houston Chapter of the Appraisal Institute.

The Group's chief accountant has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

(c) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

Investment properties	Valuation techniques	Unobservable inputs	Range
– Hong Kong	Income capitalisation approach	Capitalisation rate	2.8% to 3.7% (2022: 2.8% to 3.7%)
		Average unit market rent per month	\$28.5 to \$110/sq.ft. (2022: \$28.5 to \$110/sq.ft.)
– Australia	Discounted cash flow approach	Risk-adjusted discount rate	6.3% (2022: 6.0%)
		Expected market rental growth	3.5% to 4.0% (2022: 3.0% to 4.0%)
		Terminal yield rate	5.5% (2022: 5.0%)
		Income capitalisation approach	Capitalisation rate
– USA	Market comparison approach	Premium (discount) on quality of the building	-20% to 55% (2022: -20% to 55%)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

(c) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of certain investment properties located in Hong Kong and Australia is determined by using income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period. The fair value measurement is positively correlated to the average unit market rent per month and negatively correlated to the capitalisation rate.

The fair value of certain investment properties located in Australia is determined by formulating a projection of net income over a specified time horizon and discounting this cash flow including the projected terminal value at the end of the projection period at an appropriate rate. The fair value measurement is positively correlated to the expected market rental growth and negatively correlated to the risk-adjusted discount rate and terminal yield rate.

The fair value of investment property located in the USA is determined by using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment property compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

Fair value adjustment of investment properties is recognised in the line item "net valuation loss on investment properties" on the face of the consolidated statement of profit or loss.

The net loss recognised in the consolidated statement of profit or loss for the year arises from the investment properties held at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

(d) Right-of-use assets

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

	Note	2023 \$'000	2022 \$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:			
– 50 years or more	(i)	111,312	123,076
– between 10 and 50 years		24,708	26,246
– less than 10 years	(iv)	76,206	88,082
		212,226	237,404
Other properties leased for own use, carried at depreciated cost	(ii)	52,461	19,445
Plant and equipment, carried at depreciated cost	(iii)	810	1,081
		265,497	257,930
Ownership interests in leasehold investment properties, carried at fair value in Hong Kong, with remaining lease term of:			
– 50 years or more		9,424,800	9,685,700
– less than 10 years	(iv)	1,354,345	1,385,242
		10,779,145	11,070,942
		11,044,642	11,328,872

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

(d) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in the consolidated statement of profit or loss is as follows:

	2023 \$'000	2022 \$'000
Depreciation of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	25,178	25,178
Other properties leased for own use	19,304	20,947
Plant and equipment	271	234
	<u>44,753</u>	<u>46,359</u>

During the year ended 31 December 2023, additions to right-of-use assets were \$61,187,000 (2022: \$10,024,000). These included the additions of leasehold improvements for investment properties of \$8,867,000 (2022: \$8,574,000) and the remainder related to the capitalised lease payments payable under new leases.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 24(b)(ii), respectively.

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

The Group holds several commercial buildings for its operation of department stores. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its retail stores and staff quarters through tenancy agreements. The leases typically run for an initial period of two to three years. Lease payments are usually changed every two to three years to reflect market rentals.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

11. Investment properties and other property, plant and equipment (Continued)

(d) Right-of-use assets (Continued)

(iii) Other leases

The Group leases computer equipment under a lease expiring in four years (2022: five years). The lease does not include variable lease payments.

(iv) Under the general land grant policy on lease extension endorsed by the Executive Council, the Group's leases with remaining lease term of less than 10 years may, upon expiry and at the sole discretion of the Government, be extended for a term of 50 years without payment of an additional premium.

(e) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one year to twelve years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain leases include variable lease payments.

The Group's total future undiscounted lease payments under non-cancellable operating leases are receivable as follows:

	2023	2022
	\$'000	\$'000
Within one year	285,382	313,780
After one year but within two years	195,465	218,107
After two years but within three years	132,341	138,769
After three years but within four years	92,976	110,705
After four years but within five years	35,600	65,624
After five years	53,557	24,691
	<u>795,321</u>	<u>871,676</u>

(f) Plant and equipment comprise plant, equipment, fixtures and fittings and motor vehicles.

(g) During the year ended 31 December 2023, lease incentives totalling \$39,087,000 (2022: \$22,307,000) were given to tenants of the investment properties in Australia. The lease incentives are being amortised over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12. Interest in an associate

	2023	2022
	\$'000	\$'000
Unlisted shares		
Share of net assets other than intangible assets	326,279	338,464
Share of intangible assets of an associate	<u>4,211</u>	<u>4,710</u>
	<u><u>330,490</u></u>	<u><u>343,174</u></u>

- (a) Details of the associate and its principal subsidiaries and joint venture are set out on page 139.

The associate is accounted for using the equity method in the consolidated financial statements.

(b) Summary financial information of an associate

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, is disclosed below:

	DCH Auto Group (USA) Limited	
	2023	2022
	\$'000	\$'000
Gross amounts of the associate's		
– Current assets	859,628	750,665
– Non-current assets	233,142	282,009
– Current liabilities	(321,520)	(226,975)
– Non-current liabilities	(110,270)	(119,351)
– Equity	<u>(660,980)</u>	<u>(686,348)</u>
Revenue	<u>1,711,341</u>	<u>2,005,271</u>
Loss from continuing operations	(19,896)	(32,370)
Other comprehensive income	<u>(5,472)</u>	<u>(12,274)</u>
Total comprehensive income	<u><u>(25,368)</u></u>	<u><u>(44,644)</u></u>
Reconciled to the Group's interest in an associate		
– Gross amounts of net assets of the associate	660,980	686,348
– Group's effective interest	50%	50%
– Group's share of net assets of the associate	<u>330,490</u>	<u>343,174</u>
Carrying amount in the consolidated financial statements	<u><u>330,490</u></u>	<u><u>343,174</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

13. Other investments

	2023	2022
	\$'000	\$'000
Equity securities designated at FVOCI		
(non-recycling)		
– Unlisted, at fair value	<u>119,637</u>	<u>126,737</u>

The Group designated certain equity investments at FVOCI (non-recycling), as they are held for long-term strategic purposes. Dividends of \$2,280,000 (2022: \$1,938,000) were recognised on these investments during the year.

The Group's investments substantially represent an investment in an unlisted company, which engages in various industries. Dividends of such investment of \$2,280,000 (2022: \$1,938,000) were recognised during the year.

14. Trading securities

	2023	2022
	\$'000	\$'000
Debt securities, at FVPL		
Listed		
– in Hong Kong	61,387	43,376
– outside Hong Kong	<u>221,609</u>	<u>165,695</u>
	----- 282,996	----- 209,071
Equity securities, at FVPL		
Listed		
– in Hong Kong	401,730	423,396
– outside Hong Kong	<u>416,586</u>	<u>375,967</u>
	----- 818,316	----- 799,363
Investment funds, at FVPL		
– Unlisted but quoted	<u>771,078</u>	<u>664,863</u>
	----- <u>1,872,390</u>	----- <u>1,673,297</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2023	2022
	\$'000	\$'000
Merchandise held for sale	76,034	73,286
Merchandise held for sale in transit	729	480
	76,763	73,766

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2023	2022
	\$'000	\$'000
Carrying amount of inventories sold	286,687	273,899
Write-down of inventories	1,067	1,046
	287,754	274,945

16. Debtors, deposits and prepayments

	2023	2022
	\$'000	\$'000
Trade debtors, net of loss allowance (note (b))	16,782	13,748
Other debtors	23,990	26,215
Deposits and prepayments	53,808	32,677
	94,580	72,640
Represented by:		
Non-current portion	19,556	–
Current portion	75,024	72,640
	94,580	72,640

All current portion of debtors, deposits and prepayments of the Group, apart from certain rental deposits totalling \$18,875,000 (2022: \$14,856,000), are expected to be recovered or recognised as an expense within one year.

The non-current portion of prepayments of the Group represents the advance payments for purchases of other property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16. Debtors, deposits and prepayments (Continued)

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors (net of loss allowance), based on the due date, is as follows:

	2023	2022
	\$'000	\$'000
Current (not past due) or less than one month past due	15,733	11,293
One to three months past due	600	2,145
More than three months but less than twelve months past due	448	260
More than twelve months past due	1	50
	<u>16,782</u>	<u>13,748</u>

According to the Group's credit policy, the credit period granted to customers is generally 30 days from the date of billing. The Group does not hold any collateral over these balances. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 24(b)(i) to the financial statements.

(b) Impairment of trade debtors

The Group measures loss allowance for trade debtors at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The lifetime ECL rate for trade debtors was immaterial. No loss allowance in respect of trade debtors was recognised as at 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17. Amounts due from/(to) fellow subsidiaries

The amounts due from/(to) fellow subsidiaries are unsecured, interest free and recoverable/(repayable) on demand.

18. Cash and bank balances and other cash flow information

(a) Cash and bank balances comprise:

	2023	2022
	\$'000	\$'000
Cash at bank and in hand	388,443	339,737
Bank deposits		
– within three months to maturity when placed	1,332,966	1,222,344
– more than three months to maturity when placed	592,027	800,386
	<u>2,313,436</u>	<u>2,362,467</u>
Represented by:		
Cash and cash equivalents	1,721,409	1,562,081
Other bank deposits	592,027	800,386
	<u>2,313,436</u>	<u>2,362,467</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18. Cash and bank balances and other cash flow information (Continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities (note 21) \$'000
At 1 January 2023	20,841
Changes from financing cash flows:	
Capital element of lease rentals paid	(19,772)
Interest element of lease rentals paid	(483)
Total changes from financing cash flows	(20,255)
Other changes:	
Interest expenses (note 5(a))	483
Increase in lease liabilities from entering into a new lease during the year	52,320
Total other changes	52,803
At 31 December 2023	53,389

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18. Cash and bank balances and other cash flow information (Continued)

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

	Lease liabilities (note 21) \$'000	Secured bank loan \$'000	Total \$'000
At 1 January 2022	40,654	34,951	75,605
Changes from financing cash flows:			
Repayment of bank loan	–	(33,517)	(33,517)
Interest paid on bank loan	–	(512)	(512)
Capital element of lease rentals paid	(21,194)	–	(21,194)
Interest element of lease rentals paid	(713)	–	(713)
Total changes from financing cash flows	(21,907)	(34,029)	(55,936)
Exchange adjustments	–	(1,277)	(1,277)
Other changes:			
Interest expenses (note 5(a))	713	355	1,068
Increase in lease liabilities from entering into new leases during the year	1,450	–	1,450
Decrease in lease liabilities from early termination of a lease during the year	(69)	–	(69)
Total other changes	2,094	355	2,449
At 31 December 2022	20,841	–	20,841

The secured bank loan of \$34,951,000 was fully repaid in the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

18. Cash and bank balances and other cash flow information (Continued)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023	2022
	\$'000	\$'000
Within operating cash flows	54	55
Within investing cash flows	8,867	8,574
Within financing cash flows	<u>20,255</u>	<u>21,907</u>
	<u>29,176</u>	<u>30,536</u>

These amounts relate to the following:

	2023	2022
	\$'000	\$'000
Lease rentals paid	20,309	21,962
Additions of leasehold improvements for investment properties	<u>8,867</u>	<u>8,574</u>
	<u>29,176</u>	<u>30,536</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

19. Creditors and accrued charges

	2023	2022
	\$'000	\$'000
Trade and other creditors	323,239	327,147
Accrued charges	<u>44,050</u>	<u>43,108</u>
	<u><u>367,289</u></u>	<u><u>370,255</u></u>

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling \$49,341,000 (2022: \$42,804,000), are expected to be settled or recognised as income within one year or are repayable on demand.

At the end of the reporting period, the ageing analysis of trade and other creditors, based on the due date, is as follows:

	2023	2022
	\$'000	\$'000
Amounts not yet due	272,789	265,199
On demand or less than one month overdue	47,503	53,180
One to three months overdue	1,183	3,681
Three to twelve months overdue	1,079	1,623
More than twelve months overdue	<u>685</u>	<u>3,464</u>
	<u><u>323,239</u></u>	<u><u>327,147</u></u>

The credit period granted to the Group is generally between 30 days and 90 days from the date of billing.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

20. Contract liabilities

	2023	2022
	\$'000	\$'000
Advances received from gift certificates	14,266	14,850
Reward points under customer loyalty programme	<u>5,842</u>	<u>5,201</u>
	<u>20,108</u>	<u>20,051</u>

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Gift certificates

When the Group receives consideration for gift certificates from customers, this will give rise to contract liabilities at the time of purchase, until revenue is recognised when the gift certificates are redeemed for future sale or when they expire.

– Reward points under customer loyalty programme

The Group operates a customer loyalty programme where customers accumulate reward points for purchases made which entitle them to discount on future purchases. A contract liability for the reward points is recognised at the time of sale. Revenue is recognised when the reward points are redeemed or when they expire.

The movements in contract liabilities during the year are as follows:

	2023	2022
	\$'000	\$'000
At 1 January	20,051	20,682
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(8,509)	(5,925)
Net increase in contract liabilities as a result of issuance of gift certificates and reward points under customer loyalty programme	<u>8,566</u>	<u>5,294</u>
At 31 December	<u>20,108</u>	<u>20,051</u>

The amount of advances received from gift certificates and reward points under customer loyalty programme expected to be recognised as income after more than one year is \$14,876,000 (2022: \$15,218,000).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21. Lease liabilities

At 31 December 2023, the lease liabilities were repayable as follows:

	2023	2022
	\$'000	\$'000
Within one year	16,534	20,025
After one year but within two years	17,748	299
After two years but within five years	19,107	517
	36,855	816
	53,389	20,841

22. Income tax in the consolidated statement of financial position

(a) Current tax in the consolidated statement of financial position represents:

	2023	2022
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the year	43,463	46,121
Provisional Profits Tax paid	(34,575)	(34,542)
	8,888	11,579
Balance of Profits Tax provision relating to prior years	263	263
	9,151	11,842
Overseas tax (recoverable)/payable	(7,401)	71
	1,750	11,913
Represented by:		
Current tax recoverable	(7,808)	(87)
Current tax payable	9,558	12,000
	1,750	11,913

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22. Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised

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

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Future benefit of tax losses	Others (note)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax arising from:					
At 1 January 2023	236,430	637,342	(67)	17,359	891,064
Charged/(credited) to the consolidated statement of profit or loss (note 6(a))	6,585	(20,912)	(8)	2,245	(12,090)
Charged to the exchange reserve	746	1,699	-	119	2,564
	<u>243,761</u>	<u>618,129</u>	<u>(75)</u>	<u>19,723</u>	<u>881,538</u>
At 31 December 2023	<u>243,761</u>	<u>618,129</u>	<u>(75)</u>	<u>19,723</u>	<u>881,538</u>
At 1 January 2022	243,741	661,365	(60)	23,575	928,621
Charged/(credited) to the consolidated statement of profit or loss (note 6(a))	3,088	14,167	(7)	(4,914)	12,334
Credited to the exchange reserve	(10,399)	(38,190)	-	(1,302)	(49,891)
	<u>236,430</u>	<u>637,342</u>	<u>(67)</u>	<u>17,359</u>	<u>891,064</u>
At 31 December 2022	<u>236,430</u>	<u>637,342</u>	<u>(67)</u>	<u>17,359</u>	<u>891,064</u>

Note: Others mainly relate to temporary differences arising from lease incentives.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

22. Income tax in the consolidated statement of financial position (Continued)

(c) Reconciliation to the consolidated statement of financial position

	2023	2022
	\$'000	\$'000
Deferred tax liabilities in the consolidated statement of financial position	<u>881,538</u>	<u>891,064</u>

(d) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	2023	2022
	\$'000	\$'000
Future benefit of accumulated tax losses	26,541	24,995
Others	<u>700</u>	<u>752</u>
	<u>27,241</u>	<u>25,747</u>

The Group has not recognised deferred tax assets in respect of the future benefit of accumulated tax losses and other deductible temporary differences of certain subsidiaries as management of the Group considers that it is not possible as at 31 December 2023 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries and against which the accumulated tax losses and other deductible temporary differences may be offset in the foreseeable future. The tax losses do not expire under current tax legislation.

(e) Deferred tax liabilities not recognised

At 31 December 2023, temporary differences relating to the undistributed profits of subsidiaries amounted to \$2,540,116,000 (2022: \$2,541,919,000). Deferred tax liabilities of \$762,035,000 (2022: \$762,576,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital, reserves and dividends

(a) Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity on pages 53 and 54.

Retained earnings attributable to the shareholders of the Company as at 31 December 2023 include the aggregate net valuation gain relating to investment properties after deferred tax of \$11,776,744,000 (2022: \$12,131,503,000).

(b) Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

	Share capital \$'000 (note (d))	Contributed surplus \$'000 (note (e)(iv))	Retained earnings \$'000	Total \$'000
At 1 January 2023	29,093	2,997,350	1,646,746	4,673,189
Total comprehensive income for the year	-	-	145,531	145,531
Purchase of own shares (note (d))				
– par value paid	(51)	-	-	(51)
– premium and transaction costs paid	-	-	(6,474)	(6,474)
Dividends approved and paid in respect of the previous year (note (c)(ii))	-	-	(218,021)	(218,021)
Dividends declared and paid in respect of the current year (note (c)(i))	-	-	(98,794)	(98,794)
	<u>29,042</u>	<u>2,997,350</u>	<u>1,468,988</u>	<u>4,495,380</u>
At 31 December 2023	<u>29,042</u>	<u>2,997,350</u>	<u>1,468,988</u>	<u>4,495,380</u>
At 1 January 2022	29,141	2,997,350	1,335,315	4,361,806
Total comprehensive income for the year	-	-	452,473	452,473
Purchase of own shares (note (d))				
– par value paid	(48)	-	-	(48)
– premium and transaction costs paid	-	-	(7,056)	(7,056)
Dividends approved and paid in respect of the previous year (note (c)(ii))	-	-	(133,986)	(133,986)
	<u>29,093</u>	<u>2,997,350</u>	<u>1,646,746</u>	<u>4,673,189</u>
At 31 December 2022	<u>29,093</u>	<u>2,997,350</u>	<u>1,646,746</u>	<u>4,673,189</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital, reserves and dividends (Continued)

(c) Dividends

- (i) Dividends payable to shareholders of the Company attributable to the year:

	2023	2022
	\$'000	\$'000
Interim dividend:		
– declared during the year	98,833	–
– attributable to shares purchased in July, August and September 2023 (note (d))	<u>(39)</u>	<u>–</u>
Interim dividend paid of 34 cents (2022: nil cents) per share	98,794	–
Final dividend proposed after the end of the reporting period of 60 cents (2022: 15 cents) per share	174,250	43,640
Special dividend proposed after the end of the reporting period of nil cents (2022: 60 cents) per share	<u>–</u>	<u>174,559</u>
	<u>273,044</u>	<u>218,199</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital, reserves and dividends (Continued)

(c) Dividends (continued)

- (ii) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2023	2022
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2022/ 31 December 2021		
– approved during the year	43,640	134,048
– attributable to shares purchased in May 2023 (note (d))/January, February, March, April and May 2022	<u>(36)</u>	<u>(62)</u>
Final dividend paid during the year of 15 cents (during 2022: 46 cents) per share	----- 43,604	----- 133,986
Special dividend in respect of the financial year ended 31 December 2022		
– approved during the year	174,559	–
– attributable to shares purchased in May 2023 (note (d))	<u>(142)</u>	<u>–</u>
Special dividend paid during the year of 60 cents (during 2022: nil cents) per share	----- <u>174,417</u>	----- <u>–</u>
	<u>218,021</u>	<u>133,986</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital, reserves and dividends (Continued)

(d) Share capital

	2023		2022	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Authorised:				
Shares of \$0.1 each	<u>400,000</u>	<u>40,000</u>	<u>400,000</u>	<u>40,000</u>
Issued and fully paid:				
At 1 January	290,931	29,093	291,408	29,141
Shares purchased (note)	<u>(515)</u>	<u>(51)</u>	<u>(477)</u>	<u>(48)</u>
At 31 December	<u>290,416</u>	<u>29,042</u>	<u>290,931</u>	<u>29,093</u>

Note:

During the year ended 31 December 2023, the Company purchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares purchased	Aggregate price paid \$'000	Highest price paid per share \$	Lowest price paid per share \$
May 2023	236,000	3,115	13.30	13.00
June 2023	11,000	139	12.66	12.64
July 2023	42,000	528	12.70	12.44
August 2023	29,000	354	12.20	12.20
September 2023	41,000	499	12.20	12.14
November 2023	24,000	292	12.16	12.08
December 2023	<u>132,000</u>	<u>1,573</u>	12.10	11.78
	<u>515,000</u>	<u>6,500</u>		

Pursuant to section 42A of the Bermuda Companies Act 1981, the above purchased shares were cancelled upon purchase and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the purchase of the shares of \$6,449,000 (2022: \$7,027,000) and \$25,000 (2022: \$29,000) respectively were charged against retained earnings.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital, reserves and dividends (Continued)

(e) Nature and purpose of reserves

(i) Land and building revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for land and buildings set out in note 1(i).

(ii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI (non-recycling) that are held at the end of the reporting period (see note 1(f)).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(iv) Contributed surplus

Pursuant to the Scheme of Arrangement in 1991, the former holding company of the Group became a subsidiary of the Company. The excess value of the consolidated net assets of the subsidiaries acquired over the nominal value of the new shares of the Company issued under the Scheme of Arrangement was credited to the contributed surplus of the Company. The Group's contributed surplus represents the excess of the aggregate of the nominal value of the share capital and share premium of the former holding company over the nominal value of the new shares of the Company issued under the Scheme of Arrangement.

In addition to the retained earnings, under the Bermuda Companies Act 1981, the Company's contributed surplus is available for distribution to shareholders. However, the directors have no current intention to distribute this surplus.

(v) General reserve fund

According to applicable rules and regulations in the PRC, the Group's operating associates are required to transfer 10% of the profit after taxation, as determined in accordance with the generally accepted accounting principles in the PRC, to a general reserve fund until the balance of fund is at least half of the paid-in capital of the relevant associate company. The transfer to this reserve must be made before distribution of dividends to shareholders can be made.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

23. Capital, reserves and dividends (Continued)

(f) Distributability of reserves of the Company

At 31 December 2023, the aggregate amount of reserves available for distribution to shareholders of the Company was \$4,466,338,000 (2022: \$4,644,096,000). After the end of the reporting period the directors proposed a final dividend of 60 cents (2022: 15 cents) per share, amounting to \$174,250,000 (2022: \$43,640,000) and a special dividend of nil cents (2022: 60 cents) per share, amounting to \$nil (2022: \$174,559,000) (note (c)). This dividend has not been recognised as a liability at the end of the reporting period.

(g) The Group's share of the post-acquisition accumulated reserves of an associate

The Group's share of the post-acquisition accumulated reserves of an associate is as follows:

	2023	2022
	\$'000	\$'000
Retained earnings	162,160	172,108
Exchange reserve	(9,219)	(6,483)
General reserve fund	3,111	3,111
	<u>156,052</u>	<u>168,736</u>

(h) Capital management

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

The Group had bank deposits and cash balances as at 31 December 2023 amounting to \$2,313,436,000 (2022: \$2,362,467,000).

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values

(a) Categories of financial instruments

	2023 \$'000	2022 \$'000
Financial assets		
Financial assets measured at FVPL		
– Trading securities	1,872,390	1,673,297
Equity securities designated at FVOCI (non-recycling)		
– Other investments	119,637	126,737
Financial assets measured at amortised cost		
– Debtors and deposits	50,218	49,098
– Amounts due from fellow subsidiaries	9,516	15,576
– Other bank deposits	592,027	800,386
– Cash and cash equivalents	1,721,409	1,562,081
	2,373,170	2,427,141
	4,365,197	4,227,175
Financial liabilities		
Creditors and accrued charges	367,289	370,255
Lease liabilities	53,389	20,841
Amounts due to fellow subsidiaries	2,477	3,152
	423,155	394,248

(b) Financial risk management

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its investments in other entities. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to cash at bank, bank deposits, trade debtors and investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash at bank and bank deposits are placed with licensed financial institutions. Bankruptcy or insolvency of its financial institutions may cause the Group's rights with respect to these assets to be delayed or limited. The Group monitors the credit rating of its financial institutions on an ongoing basis. If the credit rating of one of its financial institutions was to deteriorate significantly, the Group will move the cash holdings to another financial institution. The Group's exposure to credit risk arising from cash at bank and bank deposits is limited because the counterparties are financial institutions with a credit rating, for which the Group considers to have low credit risk.

For trade debtors, credit checks are part of the normal operating process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group measures loss allowance for trade debtors at an amount equal to lifetime ECLs, taken into account historical data, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade debtors is set out in note 16.

Investments are normally only in liquid securities and derivative financial instruments quoted on a recognised stock exchange and investment funds (except where entered into for long-term strategic purposes) and with counterparties that have a sound credit standing. Given their high credit standing, the Group's exposure to credit risk arising from investments is not significant.

The Group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers except certain bank deposits placed with a licensed financial institution. At the end of the reporting period, 31.2% (2022: 27.2%) of bank deposits and cash are placed in the same financial institution. The Group monitors the credit rating on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board of directors when the borrowings exceed certain pre-determined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	Contractual undiscounted cash outflow				Carrying amount at 31 December
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
Creditors and accrued charges	317,948	17,984	31,357	367,289	367,289
Lease liabilities	19,809	19,760	19,760	59,329	53,389
Amounts due to fellow subsidiaries	2,477	-	-	2,477	2,477
	<u>340,234</u>	<u>37,744</u>	<u>51,117</u>	<u>429,095</u>	<u>423,155</u>
2022					
Creditors and accrued charges	327,451	28,979	13,825	370,255	370,255
Lease liabilities	20,255	313	527	21,095	20,841
Amounts due to fellow subsidiaries	3,152	-	-	3,152	3,152
	<u>350,858</u>	<u>29,292</u>	<u>14,352</u>	<u>394,502</u>	<u>394,248</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iii) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank, bank deposits and lease liabilities.

Lease liabilities at fixed rates expose the Group to fair value interest rate risk. The effective interest rate of the Group's lease liabilities as at 31 December 2023 is 7.4% (2022: 2.3%).

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points (2022: 100 basis points) in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after taxation and the Group's retained earnings by approximately \$21,715,000 (2022: decreased/increased the Group's loss after taxation and increased/decreased the Group's retained earnings by approximately \$22,000,000). Other components of the consolidated equity would not be affected (2022: \$nil) by the change in interest rates.

The sensitivity analysis above indicates the annualised impact on the Group's profit/loss after taxation and retained earnings that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis for 2022.

(iv) Foreign currency risk

The Group is exposed to foreign currency risk primarily through its investments, bank deposits and cash that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars, Australian dollars, Japanese Yen, Pound Sterling, and Euro. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

The following tables detail the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the operations to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in Hong Kong dollars)				
	United States dollars \$'000	Australian dollars \$'000	Japanese Yen \$'000	Pound Sterling \$'000	Euro \$'000
2023					
Trading securities	1,102,097	101,314	35,665	56,698	31,907
Debtors and deposits	13,238	327	9	13	1,336
Other bank deposits	187,035	38,458	-	-	-
Cash and cash equivalents	930,710	25,571	564	304	3,833
Creditors and accrued charges	(145)	-	(523)	-	(1,150)
	<u>2,232,935</u>	<u>165,670</u>	<u>35,715</u>	<u>57,015</u>	<u>35,926</u>
2022					
Trading securities	968,228	67,995	29,279	36,036	25,034
Debtors and deposits	9,864	161	1	1	13
Other bank deposits	641,495	25,458	-	-	-
Cash and cash equivalents	428,079	39,432	1	112	3,118
Creditors and accrued charges	(934)	-	(264)	(53)	(1,035)
	<u>2,046,732</u>	<u>133,046</u>	<u>29,017</u>	<u>36,096</u>	<u>27,130</u>

The following table indicates the change in the Group's profit/loss after taxation and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

	2023		2022	
	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit after taxation and retained earnings \$'000	Increase/ (decrease) in foreign exchange rates %	Decrease/ (increase) in loss after taxation and increase/ (decrease) in retained earnings \$'000
United States dollars	0.5 (0.5)	11,165 (11,165)	0.5 (0.5)	10,234 (10,234)
Australian dollars	10 (10)	16,567 (16,567)	10 (10)	13,305 (13,305)
Japanese Yen	10 (10)	3,572 (3,572)	10 (10)	2,902 (2,902)
Pound Sterling	10 (10)	5,702 (5,702)	10 (10)	3,610 (3,610)
Euro	10 (10)	3,593 (3,593)	10 (10)	2,713 (2,713)

Results of the analysis as presented in the above table represent an aggregation of the effects on the profit/loss after taxation and retained earnings of each entity of the Group measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(v) Price risk

The Group is exposed to price changes arising from trading securities (see note 14) and other investments held for non-trading purposes (see note 13). All of these investments are listed or measured at fair value at the end of each reporting period with reference to the quoted price or the adjusted net assets value. Management monitors this exposure and takes appropriate action when it is required.

Decisions to buy or sell trading securities and derivative financial instruments are based on daily monitoring of the performance of individual securities compared to industry indicators, as well as the Group's liquidity needs.

All of the Group's unquoted investments are held for long-term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

At 31 December 2023, it is estimated that an increase/decrease of 10% (2022: 10%) in the relevant price risk variable, with all other variables held constant, would have increased/decreased the Group's profit after taxation (2022: decreased/increased the Group's loss after taxation) and increased/decreased the Group's retained earnings and other components of the consolidated equity as follows:

	2023		2022	
	Increase/ (decrease) in profit after taxation and retained earnings \$'000	Increase/ (decrease) in other components of the consolidated equity \$'000	Decrease/ (increase) in loss after taxation and increase/ (decrease) in retained earnings \$'000	Increase/ (decrease) in other components of the consolidated equity \$'000
Increase/(decrease) in price variable				
- 10%	178,654	11,964	159,386	12,674
- (10)%	<u>(178,654)</u>	<u>(11,964)</u>	<u>(159,386)</u>	<u>(12,674)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(v) Price risk (Continued)

The sensitivity analysis indicates the change in the Group's profit/loss after taxation and retained earnings and other components of the consolidated equity that would arise assuming that the change in the relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant risk variables, and that all other variables remain constant. The analysis has been performed on the same basis for 2022.

(vi) Fair values

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values (Continued)

Fair value hierarchy (Continued)

	Fair value measurements as at 31 December 2023 categorised into			Fair value measurements as at 31 December 2022 categorised into				
	Fair value at 31 December 2023 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value at 31 December 2022 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
	Recurring fair value measurements							
Assets								
Other investments	119,637	-	-	119,637	126,737	-	-	126,737
Trading securities	1,872,390	1,101,312	771,078	-	1,673,297	1,008,434	664,863	-

During the years ended 31 December 2023 and 2022, there were no transfers between financial instruments in different levels. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The trading securities in Level 2 represent investment funds. The fair value of these investment funds is based on prices quoted by financial institutions with reference to quoted price in an active market of the listed securities comprising the fund portfolio being valued.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Other investments	Adjusted net assets	Discount for lack of marketability	40% (2022: 40%)
		Minority discount	15% (2022: 15%)
		Control premium	10% (2022: 10%)

The fair value of other investments is determined using the net assets value adjusted for lack of marketability discount and minority discount and the quoted price in an active market of a listed equity instrument adjusted for control premium. The fair value is negatively correlated to the discount for lack of marketability and minority discount and positively correlated to the control premium.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values (Continued)

Information about Level 3 fair value measurements (Continued)

At 31 December 2023, it is estimated that an increase/decrease of 3% (2022: 3%) in each of the unobservable inputs, with all other variables held constant, would have increased/decreased the Group's other comprehensive income as follows:

	2023		2022	
	Increase/ (decrease) in unobservable inputs %	Effect on other comprehensive income \$'000	Increase/ (decrease) in unobservable inputs %	Effect on other comprehensive income \$'000
Discount for lack of marketability	3 (3)	(5,068) 5,027	3 (3)	(5,408) 5,411
Minority discount	3 (3)	(3,569) 3,566	3 (3)	(3,821) 3,824
Control premium	3 (3)	532 (532)	3 (3)	608 (646)

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

	2023 \$'000	2022 \$'000
Other investments:		
At 1 January	126,737	139,602
Debited to other comprehensive income during the year	<u>(7,100)</u>	<u>(12,865)</u>
At 31 December	<u>119,637</u>	<u>126,737</u>

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for long-term strategic purposes are recognised in the investment revaluation reserve in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values (Continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023 and 2022.

25. Commitments

Capital commitments outstanding as at 31 December 2023 not provided for in the financial statements were as follows:

	2023	2022
	\$'000	\$'000
Authorised and contracted for		
– additions to investment properties	31,016	21,915
– additions to other property, plant and equipment	<u>26,192</u>	<u>708</u>
	<u><u>57,208</u></u>	<u><u>22,623</u></u>

26. Material related party transactions

(a) Key management personnel remuneration

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

	2023	2022
	\$'000	\$'000
Directors' fees	1,032	992
Salaries and other short-term employee benefits	33,542	39,049
Contributions to defined contribution retirement plans	<u>905</u>	<u>836</u>
	<u><u>35,479</u></u>	<u><u>40,877</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

26. Material related party transactions (Continued)

(b) Recurring transactions

Fellow subsidiaries represent subsidiaries of Wing On International Holdings Limited (“WOIH”), the Company’s immediate holding company. Material related party transactions are as follows:

- (i) A fellow subsidiary rents retail premises to a subsidiary of the Group. Rental and management fees payable to this fellow subsidiary amounted to \$23,472,000 (2022: \$23,473,000) during the year. The amount due from the fellow subsidiary as at 31 December 2023 amounted to \$1,956,000 (2022: \$1,956,000).
- (ii) A subsidiary of the Group rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$5,554,000 (2022: \$5,554,000) during the year. The amount due to the fellow subsidiary as at 31 December 2023 amounted to \$1,339,000 (2022: \$1,339,000).
- (iii) Fellow subsidiaries, engaged in securities trading, deal in securities for certain subsidiaries of the Group. Commission of \$725,000 (2022: \$567,000) was payable to these fellow subsidiaries during the year. The amounts due from these fellow subsidiaries as at 31 December 2023 amounted to \$7,560,000 (2022: \$13,620,000).
- (iv) A subsidiary of the Group provides building and tenancy management services to a fellow subsidiary. Building and tenancy management services income receivable from this fellow subsidiary amounted to \$1,775,000 (2022: \$1,870,000) during the year. The amount due to the fellow subsidiary as at 31 December 2023 amounted to \$1,138,000 (2022: \$1,813,000).

The directors of the Group are of the opinion that the above transactions were carried out at pre-determined amounts in accordance with terms mutually agreed by the Group and the respective companies.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes (b)(i) and (b)(ii) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section “connected transaction and continuing connected transaction” of the Annual Report.

The related party transactions in respect of note (b)(iii) and (b)(iv) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

27. Company-level statement of financial position

	Note	2023 \$'000	2022 \$'000
Non-current assets			
Investments in subsidiaries	(a)	2,801,990	2,801,991
Current assets			
Debtors, deposits and prepayments		966	1,091
Amounts due from subsidiaries		1,664,288	1,843,381
Other bank deposits		–	38,225
Cash and cash equivalents		46,086	5,405
		1,711,340	1,888,102
Current liabilities			
Creditors and accrued charges		16,195	15,139
Amounts due to subsidiaries		1,755	1,765
		17,950	16,904
Net current assets		1,693,390	1,871,198
NET ASSETS		4,495,380	4,673,189
Capital and reserves			
	23(b)		
Share capital		29,042	29,093
Reserves		4,466,338	4,644,096
TOTAL EQUITY		4,495,380	4,673,189

Approved and authorised for issue by the board of directors on 27 March 2024.

Karl C. Kwok
Director

Lester Kwok
Director

Note (a): The investments in subsidiaries represent the unlisted shares stated at cost. Details of the principal subsidiaries are set out on pages 137 to 139. The Group does not have any subsidiary which has a material non-controlling interest.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

28. Immediate and ultimate controlling parties

At 31 December 2023, the directors consider the Company's immediate parent to be WOIH, which is incorporated in Bermuda, and the ultimate controlling party to be Kee Wai Investment Company (BVI) Limited ("KW(BVI)"), which is incorporated in the British Virgin Islands. Messrs. Karl C. Kwok, Lester Kwok, Bill Kwok and Mark Kwok, directors of the Company, together control 100% of the voting rights in KW(BVI). KW(BVI) does not produce financial statements available for public use while WOIH produces financial statements available for public use.

29. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements.

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

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

At 31 December 2023

The directors are of the opinion that a complete list of the particulars of all subsidiaries and associate would be of excessive length and, therefore, the following list contains only the particulars of subsidiaries and associate which principally affect the results, assets or liabilities of the Group.

The complete list of all the subsidiaries and associate will be annexed to the Company's next annual return pursuant to the Hong Kong Companies Ordinance.

Principal subsidiaries

Name of company	Place of incorporation/ business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective holding	held by the Company	held by a subsidiary	
333 Choice Properties Pty Ltd	Australia	2 ordinary shares of no par value	100	–	100	Trustee for an investment trust
Asmar Properties Limited	British Virgin Islands/ Australia	1 share of US\$1	100	100	–	Investment holding
Belair Properties Limited	British Virgin Islands	1 share of US\$1	100	100	–	Investment holding and securities trading
Choice Century International Limited	British Virgin Islands/Hong Kong	1 share of US\$1	100	100	–	Investment holding and securities trading
Clever Choice Investments Limited	British Virgin Islands	1 share of US\$1	100	100	–	Investment holding
Clever Choice Properties Pty Limited	Australia	2 ordinary shares of no par value and 1,800 redeemable preference shares of no par value	100	–	100	Investment holding
Cornerstone Assets Limited	British Virgin Islands	1 share of US\$1	100	100	–	Investment holding
Fine Choice Investments Limited	British Virgin Islands	1 share of US\$1	100	100	–	Investment holding
Fine Choice Properties Pty Limited	Australia	2 ordinary shares of no par value	100	–	100	Investment holding

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

(Continued)

At 31 December 2023

Principal subsidiaries (Continued)

Name of company	Place of incorporation/ business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective holding	held by the Company	held by a subsidiary	
Fortuna Yakitori Stall, Limited	Hong Kong	10,000 shares of no par value	100	–	100	Securities trading
Somhill Pty. Ltd.	Australia	2 ordinary shares of no par value	100	–	100	Investment in an investment trust
The Wing On Company, Inc.	USA	12,310 shares of common stock of no par value	88.22	–	88.22	Investment holding
The Wing On Company Limited	Hong Kong	296,100,000 shares of no par value	100	–	100	Investment holding and property investment
The Wing On Department Stores (Bermuda) Limited	Bermuda	60,100,000 shares of HK\$1 each	100	–	100	Investment holding
The Wing On Department Stores (Hong Kong) Limited	Hong Kong	2 shares of no par value	100	–	100	Department stores
The Wing On Property Management Company Limited	Hong Kong	5,000 shares of no par value	100	–	100	Property management
The Wing On Services Limited	British Virgin Islands/Hong Kong	1 share of HK\$10	100	–	100	Ownership of trade marks
Tonnish Limited	Hong Kong	500 shares of no par value	100	–	100	Property investment
Wing On Company (BVI) Limited	British Virgin Islands	100,000 shares of HK\$0.10 each	100	100	–	Investment holding
Wing On Computer Systems Limited	Hong Kong	180,000 shares of no par value	100	–	100	Computer services

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

(Continued)

At 31 December 2023

Principal subsidiaries (Continued)

Name of company	Place of incorporation/ business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective holding	held by the Company	held by a subsidiary	
WOCO Investment Corporation	USA	4,300 shares of common stock of US\$10 each	88.22	–	100	Property investment
Wonder Choice Investments Limited	British Virgin Islands	1 share of US\$1	100	100	–	Investment holding
Wonder Choice Properties Pty Limited	Australia	2 ordinary shares of no par value and 1,300 redeemable preference shares of no par value	100	–	100	Investment holding

Associate and its principal subsidiaries and joint venture

Name of company	Form of business structure	Place of incorporation/ business	Class of shares held	Proportion of ownership interest held		Principal activity
				by the Group	by a subsidiary	
DCH Auto Group (USA) Limited	Incorporated	British Virgin Islands	“A” shares and “B” shares	–	50	Investment holding
DCH Auto Group (Asia) Limited #	Incorporated	British Virgin Islands	Ordinary	–	50	Investment holding
Mei Chang Group (HK) Limited #	Incorporated	Hong Kong	Ordinary	–	50	Investment holding
Meichang Auto Group (Asia) Limited #	Incorporated	Hong Kong	Ordinary	–	25.5	Investment holding

Principal subsidiaries and joint venture of DCH Auto Group (USA) Limited.

[The following text is a dense block of illegible characters, likely representing a redacted page or a scan of a document with extremely low contrast. It appears to be a continuous stream of characters without any discernible structure or meaning.]