偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1196

Annual Report 2022

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lin Xiaohui *(Chairman)*
Su Jiaohua *(Chief Executive Officer)*
Lin Xiaodong

Independent Non-executive Directors

Yu Leung Fai
Fang Jixin
Ho Chun Chung Patrick
(appointed on 8 March 2022)

AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Ho Chun Chung Patrick
(appointed on 8 March 2022)

REMUNERATION COMMITTEE

Fang Jixin *(Chairman)*
Lin Xiaohui
Yu Leung Fai

NOMINATION COMMITTEE

Lin Xiaohui *(Chairman)*
Yu Leung Fai
Fang Jixin

COMPANY SECRETARY

Tsang Chin Pang

LEGAL ADVISER

Michael Li & Co.
Debevoise & Plimpton
Holman Fenwick Willan

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong SAR

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Chiyu Banking Corporation Ltd.
DBS Bank (Hong Kong) Limited
Guangdong Huaxing Bank
Guangzhou Rural Commercial Bank
Hang Seng Bank Limited
Shenzhen Rural Commercial Bank
The Hong Kong & Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

24/F, Jardine House
1 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

COMPANY WEBSITE

http://www.realord.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleasured to present the annual report of Realord Group Holdings Limited (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2022 ("FY2022").

RESULTS

For the year ended 31 December 2022, the Group recorded a total revenue of approximately HK$1,198.8 million, representing an increase of approximately 0.3% as compare to that of the year ended 31 December 2021 ("FY2021") of approximately HK$1,195.1 million. Gross profit increased by around 5.4% year-on-year to approximately HK$287.4 million (FY2021: approximately HK$272.8 million). The Group recorded a net profit of approximately HK$605.1 million in FY2022, which represented an increase of approximately 421.9% as compared to a net profit of approximately HK$115.9 million in FY2021. Based on the weighted average of 1,440,397,551 shares in issue during the year, basic earnings per share was HK7.98 cents (FY2021: basic earnings per share of HK8.49 cents).

The net profit for FY2022 included a fair value gain (net of deferred tax effect) of approximately HK$1,203.6 million as resulted from fair value change of the Group's investment properties whereas the corresponding gain in FY2021 was approximately HK$955.5 million. It is further noted that the FY2022 results included a net exchange gain of the Group as resulted from the translation of the Group's assets and liabilities denominated in Renminbi into Hong Kong dollars of approximately HK$358.1 million (FY2021: net exchange loss approximately HK$139.0 million).

DIVIDENDS

The directors of the Company (the "Directors") do not recommend the payment of interim and final dividend (FY2021: Nil) for the year ended 31 December 2022. Total dividend for the year is nil (FY2021: Nil).

CHAIRMAN'S STATEMENT

CORPORATE STRATEGY AND BUSINESS PLAN FOR THE CARIBBEAN AND LATIN AMERICAN MARKETS

Regarding the corporate strategy and business plan for the Caribbean and Latin American markets, the Group is keen to leverage its experience in the development of a project consisting educational facilities, apartments for student, hotel and resort facilities, commercial development and shopping facilities and in a longer plan university establishment(s) and related amenities in Grenada (the "Grenada Project") to explore further investment opportunities around the Caribbean economic zone and Latin American region. The Group has further targeted to invest in four other Caribbean countries, namely Antigua and Barbuda, Saint Lucia, Saint Kitts and Nevis, and Dominica. These four countries, together with Grenada (altogether, the "Designated Caribbean Countries"). The Group has identified four investment propositions to collaborate with the respective local governments to accelerate economic development of each country. These four areas include (i) the clean energy sector; (ii) the education sector; (iii) the tourism sector; and (iv) the retail sector.

It is the Group's strategy to seek for professional investors to jointly invest in the projects in the Designated Caribbean Countries and the Republic of Panama. Further, the Group is identifying capable and competent business partners with significant track record to participate in the projects. Subject to the planning and the feasibility studies of the projects as well as the requisite approval by the respective local government, it is expected that the Group would kick off the projects in the Designated Caribbean Countries and the Republic of Panama in near future.

The Group will continue to develop the business plans and identify new potential investment opportunities in other sectors, including but not limited to the banking and insurance sector, the desalination of sea water and sewage treatment sector, the general aviation and marine passenger transport sector, the infrastructure engineering sector, the international commodity trading sector, the mineral resources exploration sector and the offshore oil and gas exploitation sector in the Caribbean and Latin American region for the purpose of maximising the benefits and return to the shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my heartfelt gratitude to all our staff for their dedication and contributions, and to our customers, suppliers and business associates, and most importantly our shareholders for their unwavering support to the Group amid the challenging operational environment.

By Order of the Board
Lin Xiaohui
Chairman

Hong Kong, 28 March 2023

OVERVIEW OF PROPERTY PROJECTS

NANSHAN DISTRICT, SHENZHEN, PRC

1. Laiying Garden (萊英花園) Urban Renewal Project (known as "Laiying Garden")

Laiying Garden is the Group's first high-rise residential and commercial property development project in Nanshan District, Shenzhen, which will be developed into a residential and commercial complex comprising residential units, apartments, retail shops and entertainment and leisure facilities. It is located in Nanshan Science and Technology Park and financial district, and is only approximately 700 meters away from the Hi-Tech Park Station (高新園站) of Shenzhen Metro Line 1. The Group hold 51% interest on the Laiying Garden.

LONGHUA DISTRICT, SHENZHEN, PRC

2. Guanzhang Electronic Factory (冠彰電器廠) Urban Renewal Project (known as "Qiankeng Property")

Qiankeng Property, which is situated at Fucheng Jie Dao, Longhua District, Shenzhen, is a residential project being implemented and developed by the Group in Longhua District. The project is an affordable commodity housing project (residential/commercial) with gross floor area of approximately 112,000 square meters of which land use was changed from industrial use to residential use. It is proximate to the Zhucun Station (竹村站) of the northern extension of Shenzhen Metro Line 4 which is under construction, therefore it is expected to be benefited from the urban renewal in Longhua District. The Group hold 100% interest on the Qiankeng Property.

3. Realord Villas (偉祿雅苑) – Sincere Mall (先施購物中心)

Realord Villas is the Group's first residential and commercial complex project in Longhua District, Shenzhen. It is located on Huanguan South Road, Guanhu Jie Dao, Longhua District, Shenzhen, and is conveniently situated less than 100 meters away from the High-tech Zone East Station (高新區東站) of Shenzhen Tram which is connected to Shenzhen Metro Line 4. The project, with a total gross floor area of approximately 230,000 square meters, comprises 2,016 residential units, a business apartment building, a shopping mall, retail shops and car parking spaces, of which, the residential units are the corporation talent housing allocated and sold by the government, while the business apartment building, shopping mall, retail shops and car parking spaces with a gross floor area of approximately 51,000 square meters are held by the Group. Sincere Mall, the shopping mall inside Realord Villas, is the Group's first community mall project which is built as a business and shopping center that integrates local amenities, entertainment and leisure, parent-child education and specialty food and beverage experience, in order to create a warm and convenient space for a better community life.

4. Qianhai Weilu Cross-Border Logistic Park (前海偉祿跨境物流園) Urban Renewal Project (known as "Zhangkengjing Property")

Zhangkengjing Project is an industrial property held by the Group located at Zhangkengjing, Longhua District, Shenzhen. In February 2017, the Group made an application to Longhua District Urban Renewal Bureau (龍華區城市更新局) to change the land use of the project from industrial use to residential apartments and commercial use. According to the notice issued by the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The property is currently used for leasing purpose.

GUANGMING DISTRICT, SHENZHEN, PRC

5. Realord Technology Park (偉祿科技園)

Realord Technology Park Project is located at Guangming Jie Dao, Guangming District, Shenzhen, occupying a site area of approximately 20,000 square meters. Phase I and Phase II of the project consists of office and apartment buildings with a gross floor area of approximately 81,000 square meters. It is proximate to the Fenghuang Town Station (鳳凰城站) of Shenzhen Metro Line 6. In light of the trend of developing high-end industries and the fact that Guangming District is being developed as a regional innovation hub in Shenzhen, and in order to seize the opportunities brought about by the development of high-tech industry, the Group intends to position the park as an integrated venture capital platform incubating innovative enterprises.

PARISH OF SAINT GEORGE, GRENADA

6. Grenada Project (格林納達項目)

Grenada Project comprises 3 lots of lands (the "Project Lands") with admeasurement 450 acres (approximately 1,821,084 square meters) situated at the Mt. Hartman area in the parish of Saint George, Grenada. The Group hold 70.5% interest on the Grenada Project.

Lot 1, Lot 2 and Lot 3 of the Project Lands contains by admeasurement 148 acres (approximately 598,934 square meters), 114 acres (approximately 461,341 square meters) and 188 acres (approximately 760,809 square meters), respectively, for the development of Grenada Project. The Grenada Project involves the development of a mixed property project consisting educational facilities, apartments for student, residential villas, hotel and resort facilities, commercial development and shopping facilities and, in a longer plan university, establishment(s) and related amenities.

The Group has developed the power, water and road access and site clearing, established a development plan on the Grenada Project and transferred the 2 piece of Project Lands (Lot 1 and Lot 2) from investment properties to properties under development since December 2022.

The principal activities of the Group during the year mainly included property investment, development and commercial operation (the "Property Segment"); financial services, included corporate finance advisory, asset management, securities brokerage services, margin financing and money lending (the "Financial Services Segment"); environmental protection industry, mainly dismantling, processing, trading and sales of scrap materials (the "EP Segment"); distribution and sales of motor vehicle parts (the "MVP Segment"); financial printing, digital printing and other related services (the "Commercial Printing Segment"); the operation of department stores, securities trading and the provision of general and life insurances (the "Department Store Segment"); and development of project in Grenada which integrates a collection of international school campuses, apartments for student, commercial complex, hotel resorts, residential villas and other ancillary facilities ("Latin America and Caribbean Segment" or "LAC Segment").

OVERALL FINANCIAL REVIEW

For the year ended 31 December 2022 (the "FY2022"), the Group recorded a total revenue of approximately HK$1,198.8 million, representing an increase of approximately 0.3% as compare to that of the year ended 31 December 2021 (the "FY2021") of approximately HK$1,195.1 million. The Group recorded a net profit of approximately HK$605.2 million in FY2022, which represented an increase of approximately HK$489.3 million as compared to a net profit of approximately HK$115.9 million in FY2021.

Revenue

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

	FY2022		FY2021		Increase/(decrease) in revenue	
	HK$' million	***% to total revenue***	*HK$' million*	*% to total revenue*	*HK$' million*	*% of changes*
Property Segment	**14.5**	**1.2%**	9.9	0.8%	4.6	46.5%
Financial Services Segment	**125.8**	**10.5%**	142.7	11.9%	(16.9)	(11.8%)
EP Segment	**705.0**	**58.8%**	672.8	56.3%	32.2	4.8%
MVP Segment	**141.0**	**11.8%**	216.2	18.1%	(75.2)	(34.8%)
Commercial Printing Segment	**59.1**	**4.9%**	58.3	4.9%	0.8	1.4%
Department Store Segment	**146.3**	**12.2%**	95.0	8.0%	51.3	54.0%
LAC Segment	**5.9**	**0.5%**	–	0.0%	5.9	N/A
Others	**1.2**	**0.1%**	0.2	0.0%	1.0	500.0%
Total	**1,198.8**	**100.0%**	1,195.1	100.0%	3.7	0.3%

OVERALL FINANCIAL REVIEW (Continued)

Revenue (Continued)

The Group's revenue in FY2022 was approximately HK$1,198.8 million, representing a slight increase of approximately HK$3.7 million or 0.3% from approximately HK$1,195.1 million in FY2021. The changes in revenue is mainly attributable to the net effect of (i) increase in the revenue of Department Store Segment of approximately HK$51.3 million resulting from the consolidation of revenue upon completion of acquisition of The Sincere Company, Limited (the "Sincere") and its subsidiaries (collectively referred to as the "Sincere Group") since May 2021; (ii) increase in the revenue of EP Segment of approximately HK$32.2 million mainly due to the increase in demand for copper; (iii) decrease in revenue in MVP Segment of approximately HK$75.2 million; and (iv) decrease in revenue in Financial Services Segment of approximately HK$16.9 million. Reasons for the changes in the relevant segment revenues are set out in the section of financial review of each segment.

Other income

Other income mainly represented imputed interest income on gift receivable from Win Dynamic Limited ("Win Dynamic"), interest income on credit-impaired loan receivables, government grants, and bank interest income. The decrease in other income from HK$53.3 million in FY2021 to HK$33.4 million in FY2022 was mainly resulted from the net effect of (i) the decrease in bank interest income of approximately HK$14.5 million from HK$15.9 million in FY2021 to HK$1.4 million in FY2022 due to the decrease in investment in short-term time deposits in bank during FY2022; (ii) the claim for a legal case in respect of Qiankeng Property of approximately HK$13.9 million in FY2021 which was not recurred in FY2022; and (iii) the increase in imputed interest income on gift receivable from Win Dynamic by approximately HK$6.8 million from HK$9.3 million in FY2021 to HK$16.1 million in FY2022, which was recognised since the consolidation of result upon completion of acquisition of Sincere Group since May 2021.

Other gains or losses, net

Other net gains for FY2022 was approximately HK$341.9 million as compared to other net losses of approximately HK$117.6 million for FY2021. The other net gains in FY2022 mainly comprised the net foreign exchange gain of approximately HK$358.1 million (FY2021: net foreign exchange loss of approximately HK$139.0 million), unrealised fair value loss on financial assets at fair value through profit or loss ("FVTPL") of approximately HK$8.7 million (FY2021: approximately HK$3.0 million) and revaluation deficit on property, plant and equipment of approximately HK$8.1 million (FY2021: revaluation surplus of approximately HK$23.4 million).

Due to the depreciation of Renminbi during the FY2022, the Group recorded a net foreign exchange gain of approximately HK$358.1 million which was resulted from the translation of liabilities denominated in Renminbi. On the contrary, the Group recorded a net foreign exchange loss of approximately HK$139.0 million in FY2021 as a result of appreciation of Renminbi.

OVERALL FINANCIAL REVIEW (Continued)

Other gains or losses, net (Continued)

The Group invested in listed securities in Hong Kong, other club and school debentures in Hong Kong and other investment for investment purpose and classified as financial assets at FVTPL. As at 31 December 2022, the financial assets at FVTPL amounted to approximately HK$71.2 million (31 December 2021: HK$81.2 million). The unrealised fair value loss of the financial assets at FVTPL was mainly due to the decrease in the market value of the listed securities in Hong Kong.

The revaluation deficit on property, plant and equipment of approximately HK$8.1 million (FY2021: revaluation surplus of approximately HK$23.4 million) was resulted from revaluation loss on the leasehold land and buildings due to the gentle decline in property market in the People's Republic of China (the "PRC").

Provision for properties under development

In FY2022, the Group recorded provision for properties under development of approximately HK$100.2 million (FY2021: Nil). Reasons for the provision for properties under development are set out in Financial Review of Property Segment below.

Provision for impairment losses, net

In FY2022, the Group recorded net provision of impairment losses of approximately HK$47.5 million (FY2021: approximately HK$3.6 million). The net provision of impairment losses represented the increase in expected credit losses of trade receivables of approximately HK$13.1 million (FY2021: approximately HK$9.1 million), receivables arising from securities broking of approximately HK$1.2 million (FY2021: reversal of impairment loss of approximately HK$1.9 million), loan receivables of approximately HK$32.6 million (FY2021: reversal of impairment loss of approximately HK$4.1 million) and other receivables of approximately HK$0.6 million (FY2021: approximately HK$0.5 million).

The expected credit losses of loan receivables of approximately HK$32.6 million was provided based on assessment on individual basis by reference to any historical default or delay in payments, historical settlements record, current past due exposure and industrial economic factors of each client. The increase in the provision was mainly due to the increase in loans granted during the year. The gross balance of loan receivable as at 31 December 2022 was amounted to approximately HK$458.9 million (31 December 2021: HK$207.0 million).

OVERALL FINANCIAL REVIEW (Continued)

Gain on fair value changes of investment properties, net

The net gain on fair value changes of investment properties decreased by approximately HK$267.5 million in FY2022 as compared to that of FY2021 was mainly attributable by the loss on fair value change on investment properties in both Hong Kong and the PRC of approximately HK$849.1 million (FY2021: net gain on fair value changes of approximately HK$1,265.3 million) due to the gentle decline in property markets in both Hong Kong and the PRC, which was offset by the fair value gain on investment properties in Grenada by approximately HK$1,846.8 million primarily due to the appreciation of the project value in Grenada. Reasons for the changes for fair value are set out in Financial Review of Property Segment and LAC Segment below.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$30.6 million was mainly arising from the increase in (i) business development expenses, staff costs and depreciation of right-of-use assets for the retail shops upon the completion of acquisition of Sincere Group since May 2021 and (ii) amortisation of other intangible assets of customer relationship arising from the acquisition of Realord Century Service Company Limited (formerly known as Hartman Education Service Limited) and its subsidiary, Hartman Culture Development (Shanghai) Co., Ltd.* (哈特曼文化發展(上海)有限公司) (collectively referred to the "Realord Century Group") and Realord Century Business Service (Shenzhen) Co., Ltd.* (偉祿世紀商務服務(深圳)有限公司) (formerly known as Hartman Immigration Consultancy Service (Shenzhen) Co., Ltd.* (哈特曼移民諮詢服務(深圳)有限公司)) (together with the Realord Century Group as the "Hartman Education Group") since February 2022.

Administrative expenses

Administrative expenses mainly represented staff costs, depreciation of right-of-use assets and legal and professional fees. Administrative expenses increased by approximately HK$37.2 million which was mainly arising from the consolidation of administrative expenses for the LAC Segment and the Department Store Segment of approximately HK$45.0 million and HK$21.6 million upon the completion of acquisition of the Caribbean Education Industry Group Limited and its subsidiaries (collectively referred to as the "Caribbean Group") and Sincere Group since December 2021 and May 2021 respectively. The increase in administrative expenses was partially offset by the decrease in legal and professional fees by approximately HK$22.5 million which was mainly due to the one-off legal and professional fees incurred for the acquisition of Sincere Group in FY2021.

* *For identification purpose only*

OVERALL FINANCIAL REVIEW (Continued)

Finance costs

The finance costs increased by approximately HK$32.0 million mainly due to the net effect of (i) increase of interest on loans from ultimate holding company by approximately HK$61.4 million which was arising from the increase in loans from ultimate holding company from approximately HK$1,127.2 million as at 31 December 2021 to approximately HK$2,394.8 million as at 31 December 2022; and (ii) decrease in interest on bank borrowings and overdrafts of approximately HK$44.4 million due to the decrease in loan interest expenses incurred for the PRC borrowings as a result of depreciation of RMB.

Net profit

The Group's net profit was approximately HK$605.2 million in FY2022, representing an increase of approximately HK$489.3 million, as compared to the Group's net profit of approximately HK$115.9 million in FY2021. The improvement in the net profit was resulted from the net effect of: (i) gain on fair value change on the investment properties in Grenada of approximately HK$1,846.8 million (FY2021: Nil); and (ii) net foreign exchange gain of the Group resulted from translation of the Group's liabilities denominated in Renminbi of approximately HK$358.1 million for FY2022, as compared to the net foreign exchange loss of approximately HK$139.0 million in FY2021.

The aforesaid effect was partially offset by (i) loss on fair value changes (net of deferred tax credit) on the investment properties in both Hong Kong and the PRC of approximately HK$643.2 million (FY2021: gain on fair value changes (net of deferred tax expense) of approximately HK$955.4 million); (ii) provision for properties under development (net of deferred tax credit) of approximately HK$75.2 million (FY2021: Nil); (iii) increase in net impairment loss from approximately HK$3.6 million in FY2021 to HK$47.5 million in FY2022 as mentioned above; and (iv) increase in selling and distribution expenses, administrative expenses and finance costs by approximately HK$30.6 million, HK$37.2 million and HK$32.0 million respectively as mentioned above.

FINANCIAL REVIEW OF EACH SEGMENT

Property Segment

The revenue of the Property Segment was mainly derived from the rental income of the Group's investment properties. The Group generated rental income of approximately HK$14.5 million in FY2022 (FY2021: approximately HK$9.9 million). The increase in rental income was mainly due to the increase in number of tenants of Sincere Mall.

In FY2022, the Property Segment suffered a segment loss of approximately HK$1,379.5 million (FY2021: segment profit of approximately HK$792.3 million).

The segment loss was mainly resulted from the net losses on fair value changes in the investment properties of approximately HK$849.1 million (FY2021: net gains on fair value change of approximately HK$1,265.3 million) and provision for impairment loss on properties under development of the Qiangkeng Property of approximately HK$100.2 million (FY2021: Nil).

The property markets in both Hong Kong and the PRC were gentle declined primarily due to the epidemics of COVID-19 over the past three years and the credit crunch in the PRC property market. The market prices of residential and commercial properties in both Hong Kong and the PRC were facing downturn pressure. As a result, the Property Segment suffered a decrease in fair value in the investment properties including but not limited to Realord Villa and Realord Technology Park. Besides, the Group also recorded a provision for properties under development of the Qiangkeng Property.

In FY2021, the gain on fair value changes of investment properties was mainly resulted from Realord Technology Park since the Group obtained the permit from relevant government authorities in respect of the increase in construction scale of Phase II in August 2021.

The Financial Services Segment

The Financial Services Segment generated a revenue of approximately HK$125.8 million in FY2022, which decreased by approximately HK$16.9 million or 11.8% as compared to that of approximately HK$142.7 million in FY2021. The decrease in segment revenue was due to (i) decrease in financial service income for rendering corporate finance advisory, underwriting, asset management and other related service of approximately HK$29.4 million; and (ii) decrease in commission income from securities broking of approximately HK$8.2 million, which was partially offset by the increase in interest income from margin financing and money lending business of approximately HK$12.0 million and HK$8.7 million respectively. In FY2022, activities in Hong Kong's financial market have been slowed down significantly due to unfavourable factors like the epidemics of COVID-19 and rising interest rates to suppress inflation in different countries.

FINANCIAL REVIEW OF EACH SEGMENT (Continued)

The Financial Services Segment (Continued)

The segment recorded a segment profit of approximately HK$21.3 million in FY2022, representing a decrease of approximately HK$24.6 million or 53.6% as compared to approximately HK$45.9 million in FY2021. The decrease in segment profit of the Financial Services Segment was mainly attributable to the net effect of: (i) decrease in revenue of approximately HK$16.9 million; (ii) increase in provision of expected credit losses on loan receivables of HK$32.6 million (FY2021: reversal of impairment losses of approximately HK$4.1 million) due to the increase in loans granted during the year; (iii) decrease of referral expenses and commission expenses for placement, underwriting and initial public offering ("IPO") projects of approximately HK$18.8 million; and (iv) decrease in professional fees for consultancy services for the asset management business of approximately HK$4.4 million.

The EP Segment

During FY2022, the demand for copper in the PRC increased significantly. The EP Segment's revenue increased from approximately HK$672.8 million in FY2021 to approximately HK$705.0 million in FY2022.

As the overall copper price is higher than that in FY2021 and the continuing increased the scale and established suppliers' network of the Group in FY2022, the EP segment generated revenue of approximately HK$705.0 million, representing an increase of 4.8% as compared to approximately HK$672.8 million in FY2021. The increase in revenue was partially offset by the depreciation of average rate of Renminbi and Japanese Yen during FY2022. However, the segment recorded a segment loss of approximately HK$6.5 million in FY2022 as compared to segment profit of approximately HK$9.4 million in FY2021. The recorded segment loss was mainly attributable to the lower of gross profit margin and increase in expected credit losses from trade receivables due to long outstanding trade receivables resulting from the delay in repayments from customers during the economic downturn environment.

The MVP Segment

The revenue of the MVP Segment decreased by approximately 34.8% in FY2022 to approximately HK$141.0 million (FY2021: approximately HK$216.2 million). The segment recorded a segment profit of approximately HK$5.7 million in FY2022, as compared to approximately HK$8.7 million in FY2021. The segment revenue and segment profit decreased mainly due to the lockdown of certain PRC cities during the outbreak of COVID-19 epidemic in PRC during the year.

FINANCIAL REVIEW OF EACH SEGMENT (Continued)

The Commercial Printing Segment

The uncertain business environment caused by the outbreak of COVID-19 epidemic in FY2021 and FY2022 adversely affected the capital market sentiment, and hence the demand for services was kept at a low growth rate. Despite of the challenging business environment, the revenue from the Commercial Printing Segment slightly increased by approximately 1.4% to approximately HK$59.1 million in FY2022 (FY2021: approximately HK$58.3 million). The Commercial Printing Segment recorded a segment loss of approximately HK$2.4 million (FY2021: approximately HK$4.1 million). The decrease in segment loss of the Commercial Printing Segment was mainly due to the subsidies from the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government in FY2022, whereas no such subsidies in FY2021.

The Department Store Segment

During FY2022, the Department Store Segment was continuously affected by the persistence impact of the COVID-19 pandemic. The Department Store Segment recorded a segment revenue of approximately HK$146.3 million (FY2021: HK$95.0 million) and suffered segment loss of approximately HK$33.6 million (FY2021: HK$19.2 million).

The increase in segment loss was due to the consolidation of the full year results of Sincere Group in FY2022 even though the loss of Sincere Group has been diminishing since the Group completed the acquisition of Sincere Group in May 2021.

The LAC Segment

The revenue generated from consultancy services under CBI programme was HK$5.9 million in FY2022. The segment profit of LAC was approximately HK$1,799.8 million mainly due to the gain on fair value changes of investment properties in Grenada.

The principal business of the LAC Segment is the development of a project in Grenada (comprising 3 lots of land with admeasurement 450 acres situated at the Mt. Hartman area in the parish of Saint George) (the "Grenada Project"). During the year, the LAC Segment continued its construction and established a development plan on the Grenada Project. The Group has also developed the sale channels in various geographic regions including Beijing, Shanghai, Shenzhen, Hong Kong, Vietnam, the United States of America and Dubai with commencement of the development, the investment properties in Grenada has been reclassified as "properties under development". Before the change in the classification, the LAC Segment recorded net gain on fair value change of approximately HK$1,846.8 million for the appreciation of the project value in Grenada during the year.

The increase in fair value of the projects was mainly resulted from the increase in demand for citizenship by investment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities, other loans and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. The Group's cash and bank balances as at 31 December 2022 amounted to approximately HK$171.9 million (31 December 2021: approximately HK$229.6 million) which were mainly denominated in HK$ and RMB (31 December 2021: HK$ and RMB).

The gearing ratio of the Group as at 31 December 2022 was approximately 358.5% (31 December 2021: 280.9%), which is calculated based on the interest-bearing borrowings denominated in HK$ and RMB (31 December 2021: HK$ and RMB) of approximately HK$12,950.0 million (31 December 2021: approximately HK$11,608.9 million) and divided by the equity attributable to owners of the Company of approximately HK$3,612.5 million (31 December 2021: approximately HK$4,133.1 million). The interest bearing borrowings carried interest rate ranging from 3.025% to 8.625% per annum (31 December 2021: 2.15% to 7.60% per annum) with maturity ranging from within 1 year to 28 years (31 December 2021: within 1 year to 29 years).

The Directors consider that the Group's cash holding, liquid assets, future revenue, available banking facilities and the facility provided by the ultimate holding company will be sufficient to fulfill the present working capital requirement of the Group.

FOREIGN EXCHANGE

Most of the transactions of the Group were denominated in Hong Kong Dollars, US Dollars, Euro, Japanese Yen, Renminbi and East Caribbean Dollars. The reporting currency of the Group is Hong Kong dollars.

The Group is exposed to foreign exchange risk arising from exposure in the US Dollars, Euro, Japanese Yen, Renminbi and East Caribbean Dollars against Hong Kong Dollars. The management has continuously monitored the level of exchange rate exposure and shall adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose in FY2022.

FINANCIAL GUARANTEES AND CHARGES ON ASSETS

As at 31 December 2022, corporate guarantees amounting to approximately HK$9,107.0 million (31 December 2021: approximately HK$10,096.4 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK$8,957.0 million (31 December 2021: approximately HK$9,405.2 million) was given to banks in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. Besides, the general banking facilities granted to the subsidiaries of the Company were secured by legal charges on certain investment properties, leasehold land and buildings, properties under development and proposed development project (2021: certain investment properties, leasehold land and buildings and properties under development) owned by the Group with a total net book value of approximately HK$8,512.0 million (31 December 2021: approximately HK$10,184.0 million), approximately HK$556.7 million (31 December 2021: approximately HK$562.4 million), approximately HK$3,328.2 million (31 December 2021: approximately HK$3,229.1 million) and approximately HK$2,016.7 million (31 December 2021: Nil) respectively. Meanwhile, corporate guarantees amounting to approximately HK$9,592.4 million (31 December 2021: approximately HK$10,093.1 million) were given to banks by the directors and controlling shareholders of the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK$230.5 million (31 December 2021: approximately HK$9.2 million) was given to banks in the PRC by the related parties of the Group for the provision of general banking facilities granted to its PRC subsidiaries. In addition, the general banking facilities granted to the subsidiaries of the Company were secured by securities collateral pledged to the Group by margin clients with market value of approximately HK$400.7 million (31 December 2021: approximately HK$359.3 million), the Group's marketable securities with an aggregate fair value of approximately HK$2.2 million (31 December 2021: approximately HK$3.4 million) and shares of certain subsidiaries. Besides, certain bank borrowings were secured by the Group's restricted bank balances and deposits of approximately HK$84.3 million (31 December 2021: approximately HK$102.2 million).

For the other loans from financial institutions as at 31 December 2022, corporate guarantees amounting to approximately HK$57.9 million (31 December 2021: Nil) were given to the financial institutions by the Company for the provision of loans granted to the subsidiaries. Besides, the loans granted to the subsidiaries of the Company were secured by legal charges on certain investment properties with carrying amount of approximately HK$79.4 million (31 December 2021: Nil). In additions, certain other borrowings to the subsidiaries of the Company were under repurchase arrangement by using the securities collateral pledged to the Group by margin clients with market value of approximately HK$149.6 million (31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW OF EACH SEGMENT

During the year ended 31 December 2022, the global economy and business performance did not recover as expected due to the continuous outbreak of COVID-19 pandemic. The global economy was influenced by the unstable international geopolitics and the expectation of raising interest rate. Simultaneously, the economy in PRC was affected by the strict regulation and supervision of various industries.

Set out below is the review of each segment of the Group's business.

The Property Segment

The Group holds three investment property projects namely Realord Villas and Zhangkengjing Property in Longhua District, and Realord Technology Park in Guangming District in Shenzhen, the PRC. The Group also holds proposed development project and properties under development namely Laiying Garden in Nanshan District and Qiankeng Property in Longhua District respectively in Shenzhen, the PRC. There are mainly five property projects on hand as at 31 December 2022 (31 December 2021: five).

During FY2022, there are various development progress on five property projects. Firstly, for Realord Villas, up to the date of report, the number of tenants of shopping mall increased to 45 including children's amusement park, education training centres, restaurants, fitness studios and etc. Secondly, for Realord Technology Park, the total construction scale is approximately 81,000 square meters and the development plan of Phase II will be started once government approval is granted. Thirdly, for Qiankeng Property, the construction scale is approximately 112,000 square meters and the redevelopment works will be commenced once permits are obtained from relevant government authorities. Fourthly, for Zhangkengjing Property, the application of change of land use from industrial use to residential apartments and commercial use is still under review as at the reporting date. Fifthly, for Laiying Garden, the demolition of the residential units and the infrastructures is completed and the redevelopment work is expected to be commenced once permits from relevant government authorities are granted.

The Financial Services Segment

In FY2022, activities in Hong Kong's financial market have been slowed down significantly due to unfavourable factors like the epidemics of COVID-19 and rising interest rates to suppress inflation in different countries. However, the Financial Services Segment is committed to providing diversified and premium services to customers in the primary and secondary markets. The interest income of margin financing is rising continuously, which drives the Financial Services Segment has been steady growth in the sluggish market. Moreover, our new mobile trading system has been launched and provides customers with a fast and stable trading experience, which helps build up our brand. The Group, together with 5 other independent third parties, had also applied for approval from the China Securities Regulatory Commission ("CSRC") to establish a security company in Guangzhou Pilot Free Trade Zone, which is currently under review by CSRC. The Company will update the shareholders on the application's progress when and as appropriate.

BUSINESS REVIEW OF EACH SEGMENT (Continued)

The Financial Services Segment (Continued)

Margin financing business

Business model

The margin financing business forms an integral part of the securities brokerage business under the Financial Services Segment. The Group provides margin loans to its brokerage clients. Funding for this business is from bank loans and internal resources of the Group. The margin financing operation of the Group is based on the loan-to-collateral ratio (the "Collateral Ratio") set by the credit department for each of the securities with reference to its liquidity, risk profile and financial strength of the underlying entities and the loan-to-collateral ratio adopted by banks. Margin clients are required to pledge deposits and/or liquid securities as collaterals to the Group in order to obtain margin facilities for securities trading.

As at 31 December 2022, approximately 53.0% (31 December 2021: 70.9%), 34.3% (31 December 2021: 29.0%) and 12.7% (31 December 2021: 0.1%) of the total loan balance to margin financing clients of HK$457.2 million (31 December 2021: HK$276.2 million) were from individual investors, corporate investors and professional investors as defined under Part 1 of Schedule 1 of Section 397 of the Securities and Futures Ordinance (Cap.571D), respectively.

Credit policy

The Group has established a credit assessment committee (the "Margin Financing CAC") presently comprising six members (including the chief financial officer of the Company, two responsible officers and three directors of the securities brokerage company). The Margin Financing CAC is responsible for establishing credit policy, approving margin limit, and monitoring the credit exposure of the margin financing business.

To perform credit assessment (the "Credit Assessment") on the clients, the credit risk staff team (the "Credit Risk Team"), which currently has five staff, will conduct the following procedures:

(i) "know your client" procedures including:

   (a) checking the background of client;

   (b) if the client is a corporate client, checking the background of the shareholder(s) and the ultimate beneficial owner(s), and business operations of such corporate client, obtaining and reviewing corporate documents of the corporate client including but not limited to the constitution documents and financial statements;

BUSINESS REVIEW OF EACH SEGMENT (Continued)

The Financial Services Segment (Continued)

Margin financing business (Continued)

Credit policy (Continued)

(ii) assessment of the repayment ability and credit quality of client based on:

(a) for individual client, his/her occupation, proof of income, proof of assets, proof of financial standing, historical trading pattern, and historical settlement records with the Group (if applicable); and

(b) for corporate client, its latest available financial statements, leverage level, assets quality, external credit rating, historical trading pattern, and historical settlement records with the Group (if applicable).

Upon satisfactory on the results of the Credit Assessment, the Credit Risk Team shall recommend to the Margin Financing CAC's approval of the applicable margin limit with reference to the repayment ability and the credit quality of the client and the client's collaterals. The Margin Financing CAC shall review and make the decision to approve, reject or modify the margin limit and/or terms on the margin loan.

The Credit Risk Team is also responsible for on-going monitoring of the Collateral Ratio. The Margin Financing CAC will review the Collateral Ratio quarterly.

Key internal control measures

The Group has adopted the following key internal control measures to monitor its margin financing business:

(i) on a daily basis, a team comprising the head of customer service of the securities brokerage company and its responsible officer (who is also a member of the Credit Risk Team) for monitoring margin financing (the "Margin Monitoring Team") will generate a margin call report which shows the clients' margin status and identify if there is any shortfall in clients' collaterals;

(ii) for any insufficient collaterals identified, the Margin Monitoring Team shall make immediate margin calls for additional collateral;

(iii) in the event the clients fail to mitigate the shortfall of their collaterals, the Margin Monitoring Team shall make timely report to the responsible officers of securities brokerage company who will consider the necessary actions to take including but not limited to forced liquidation of the clients' position;

BUSINESS REVIEW OF EACH SEGMENT (Continued)

The Financial Services Segment (Continued)

Margin financing business (Continued)

Key internal control measures (Continued)

(iv) the Margin Monitoring Team shall also closely monitor any unusual movements, corporate news or trading halts/suspensions of all underlying securities related to outstanding margin financing facilities in order to mitigate the clients' credit risk and report to the responsible officers of all relevant incidents as and when arise, for the responsible officers to consider further actions; and

(v) the responsible officers of securities brokerage company shall report to the management of the Group on any material adverse incidents on margin financing operation.

Major terms of loans and concentration of loans on major clients

During the year ended 31 December 2022, the interest rate of the margin financing was charged at a range of 5% to 20.625% (31 December 2021: a range of 5% to 20%) subject to the credibility of the clients and quality of the securities collateral. The Group's largest margin client and the five largest margin clients accounted for approximately 10.6% (31 December 2021: 7.2%) and 34.4% (31 December 2021: 30.2%) of the total loan balance to margin clients as at 31 December 2022. As at 31 December 2022, the Group's largest margin client was a corporate client (31 December 2021: an individual client) and the Group's five largest margin clients included 1 individual client, 3 corporate clients and 1 professional investor (31 December 2021: 3 individual clients and 2 corporate clients).

Recoverability and impairment assessment

The Group measures the impairment loss on the basis of lifetime expected credit losses assessment for the loan receivables from margin financing clients. The Group monitors the market conditions and adequacy of securities collateral and margin deposits of each margin account on a daily basis. Margin calls and/or forced liquidation will be made where necessary. The Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate provision for impairment losses is made for irrecoverable amounts. As part of the Group's credit risk management, the Group estimates impairment loss on loans to margin clients individually by reference to any historical default or delay in payments, historical settlements record and current past due exposure of each client.

BUSINESS REVIEW OF EACH SEGMENT (Continued)

The Financial Services Segment (Continued)

Margin financing business (Continued)

Recoverability and impairment assessment (Continued)

During the year ended 31 December 2022, provision of impairment losses on receivables arising from loans to margin clients of HK$1.2 million (31 December 2021: reversal of impairment losses of HK$1.9 million) was recognised. Provision of impairment loss was provided for margin loan balances with insufficient collaterals. As at 31 December 2022, 91% (31 December 2021: 99%) of the margin loan balances were secured by sufficient collaterals.

As a result of the decrease in the percentage of margin loan balances with sufficient collaterals from 99% as at 31 December 2021 to 91% as at 31 December 2022, provision of impairment losses was recognised for the year ended 31 December 2022. As at 31 December 2022, no specific provision was made on the margin loan receivables (31 December 2021: Nil).

Money lending business

Business model

The Group provides loans to clients with tailored made liquidity solutions and its clients are mainly solicited from business referrals of existing clients or business connections of the management team of the Group. Securities brokerage division also refers the brokerage clients who have financing needs to the money lending division with a view to providing one-stop financing solutions to the clients. The funding for this money lending business is from internal resources of the Group. As at 31 December 2022, approximately 61.1% (31 December 2021: 34.3%) and 38.9% (31 December 2021: 65.7%) of the total loan balance to money lending clients of HK$458.9 million (31 December 2021: HK$207.0 million) were individuals and corporate clients, respectively.

Credit policy

The Group has established a credit assessment committee (the "Money Lending CAC") presently comprising five members (including the chief financial officer of the Company and four directors of the money lending company). The Money Lending CAC is responsible for establishing credit policy, approving loan terms, and monitoring the credit exposure of the money lending business.

To perform the Credit Assessment on the client, the Credit Risk Team shall conduct the same procedures as that of margin financing operation including (i) "know your client" procedures; and (ii) assessment of the repayment ability and credit quality of client, details of which are set out in the paragraphs of "Credit policy" in the session headed "Margin Financing Business" above.

BUSINESS REVIEW OF EACH SEGMENT (Continued)

The Financial Services Segment (Continued)

Money lending business (Continued)

Credit policy (Continued)

Upon satisfactory on the results of the Credit Assessment, a team comprising a director of the money lending company (who is also a member of the Money Lending CAC) and a finance manager of the Company (the "Money Lending Team") will propose loan terms (the "Proposed Loan Terms"), including but not limited to interest rate, tenor, collateral and guarantee, if applicable, to the Money Lending CAC based on the prevailing market condition, repayment ability and credit quality of the client and the client's financial need. The Proposed Loan Terms will be reviewed and approved by the Money Lending CAC and were determined on case-by-case basis.

The Money Lending Team is responsible for on-going monitoring of the status of the loans granted by the money lending company and assessing the credit exposure risks of its loan portfolio from time to time.

Key internal control measures

The Group has adopted the following key internal control measures to monitor its money lending business:

(i) on monthly basis, the Money Lending Team will prepare a monthly loan profile summary which will be reviewed by the Money Lending CAC to identify if there is any loan overdue;

(ii) for any loan being overdue, the Money Lending Team will immediately notify the Money Lending CAC, and provide regular updates on the progress of the collection of the outstanding balance of the loans and commence procedures to recover the outstanding balance, if applicable, in accordance with internal procedures; and

(iii) the status of the loan portfolio shall be reported to the Board by the Money Lending CAC on semi-annual basis.

BUSINESS REVIEW OF EACH SEGMENT (Continued)

The Financial Services Segment (Continued)

Money lending business (Continued)

Major terms of loans and concentration of loans on major clients

During the year ended 31 December 2022, the interest rate of the money lending business was charged at a range from 8.5% to 36% per annum (31 December 2021: a range of 8.5% to 12% per annum) subject to the creditability of the clients, and the loan receivables from clients were generally unsecured and repayable with a term of one year or less. The Group's largest money lending client and the five largest money lending clients accounted for approximately 19.4% (31 December 2021: 43.0%) and 58.2% (31 December 2021: 87.9%) of the total loan balance to money lending clients as at 31 December 2022. As at 31 December 2022, the Group's largest money lending client was a corporate client (31 December 2021: a corporate client) and the Group's largest 5 money lending clients included 5 corporate clients (31 December 2021: 3 corporate clients and 2 individual clients).

Recoverability and impairment assessment

Same as the margin financing business, the Group measures the impairment loss on the basis of lifetime expected credit losses assessment for the loan receivables from the money lending clients. The Group reviews the loan receivables at the end of each reporting period to ensure that adequate provision for impairment losses is made for irrecoverable amounts, if any. As part of the Group's credit risk management, the Group estimates impairment loss on loans receivables individually by reference to any historical default or delay in payments, historical settlements record and current past due exposure of each client.

During the year ended 31 December 2022, provision of impairment losses on loan receivables of approximately HK$32.6 million (FY2021: reversal impairment losses of HK$4.1 million) was recognised. Provision of impairment loss was provided for the whole loan portfolio of the Group to recognise the expected credit losses of the receivables from money lending clients. Increase in overall gross balance of loan receivables and unfavourable factors affecting the whole financial market like the epidemics of COVID-19 and rising interest rates. As at 31 December 2022, none of the loan receivables had been overdue and no specific provision on the loan receivables had been made (31 December 2021: Nil).

The EP Segment

The EP Segment remained to be the Group's major revenue contributor which was benefited from the large scale of Realord EP Japan leased land in Osaka, Japan with approximately 19,609 square meters (4 pieces). The EP Segment is still looking into alternatives such as deploying additional operation points in Kyushu, Japan, searching for new sources of metal scraps throughout the Japan. The Group is also considering developing the European and American markets under the situation of sufficient funds to meet the economy recovery after the COVID-19 pandemic for sustainable growth of the EP business.

BUSINESS REVIEW OF EACH SEGMENT (Continued)

The MVP Segment

Due to the lockdown policies in certain PRC cities, the demand for motor vehicle parts was adversely affected during the year. In order to maintain sustainable growth in business, the Group has to further strengthen its relationship with suppliers and explore new customer bases. The Group remain positive of the prospects in the view that the epidemic prevention policies are relaxing.

The Commercial Printing Segment

The decrease in demand of commercial printing services was unavoidable during the COVID-19 pandemic. Though the Group has downsized its scale of operations in order to minimize the operating costs, the segment still recorded segment losses in FY2022. In order to maintain sustainable growth in business, the Group has to further strengthen its relationship with existing customers and explore new customer bases.

The Department Store Segment

During the year, performance of Department Store Segment was affected by the persistence impact of the Covid-19 pandemic. In addition, one of the department stores was closed during the FY2022. As a result, the Group had adopted pro-active measures to reduce operating expenses, such as staff cost and negotiating rental concession with the landlords.

Following by the gradual relaxation of anti-pandemic measures and most importantly, the reopening of boarder with PRC in early 2023, we expect that there will be a rebound on the local retail market in Hong Kong.

The Latin America and the Caribbean ("LAC") Segment

The principal business of the LAC Segment is the development of the Grenada Project. The Grenada Project involves the development of a mixed property project consisting educational facilities, apartments for student, residential villas, hotel and resort facilities, commercial development and shopping facilities and, in a longer plan university, establishment(s) and related amenities.

The Government of Grenada granted the LAC Segment the "Approval Project Status" such that the LAC Segment can develop the Grenada Project on foreign investors' funding in accordance with the local laws under Section 11 of the Grenada Citizenship by Investment Act 15 of 2013 and a CBI Programme in Grenada. Through the CBI Programme, the LAC Segment is authorised to raise capital from investors of the Project for funding the construction and development costs. Qualified investors of the real properties will be granted permanent Grenadian citizenship and a passport offering visa-free travel to over 153 countries including the United Kingdom, EU Schengen countries and the PRC. The Project marks a significant flag of our Group into the Caribbean region.

OUTLOOK AND CORPORATE STRATEGY

The Property Segment

The Group will focus on the five properties projects on hand, namely, the Qiankeng Property, the Laiying Garden, the Realord Villas, the Realord Technology Park and the Zhangkengjing Property to ensure that the Group stays in a good position in this segment.

The Financial Services Segment

As the epidemic of COVID-19 has been improving, and together with the Chinese and Hong Kong governments have made a series of wise decisions to help the economy recover. Hong Kong's financial market and economic development will remain stable. Therefore, the Financial Services Segment will continuously develop various investment products to meet the market's demand and provide diversified and premium services to customers in the international capital market. At the same time, the Financial Services Segment is also proactively preparing to launch dark pools and US stock trading systems, and expand the sales and business teams to support our business development. Therefore, this segment is expected to achieve stable business growth in 2023.

The EP Segment, the MVP Segment, the Commercial Printing Segment and the Department Store Segment

Looking forward, amidst the market uncertainties, the Group will continue to exercise extreme cautions in the operations of the EP Segment, the MVP Segment, the Commercial Printing Segment and the Department Store Segment with a view to controlling operating costs, minimising the credit risk exposures, and expanding the customers base of the segments by strengthening their competitive edges among their competitors. The Group will continue to monitor the business plans, the associated risks and prospects of the operations of all segments, in order to maximise the return to the Shareholders.

The LAC Segment

The Grenada Project presents a valuable opportunity for the Group to diversity its business and operations in the Caribbean and Latin American region and enables it to expand its scale of overseas operation. By inviting foreign investment under the CBI Programme of Grenada, the Group has embarked on the Grenada Project.

OUTLOOK AND CORPORATE STRATEGY (Continued)

The LAC Segment (Continued)

The Group is keen to leverage its experience in the Grenada Project to explore further investment opportunities around the Caribbean economic zone and Latin American region. The Group has further targeted to invest in four other Caribbean countries, namely Antigua and Barbuda, Saint Lucia, Saint Kitts and Nevis, and Dominica. These four countries, together with Grenada (altogether, the "Designated Caribbean Countries"), were ranked top five popular investment destination by CBI Programme by the magazine "Professional Wealth Management" published by "Financial Times" in 2021. Other than the Grenada Project, the Group is also in negotiation with the authorities of the Republic of Panama on a power generation project to be granted under the foreign investors investment scheme of the Republic of Panama. As seen, it is the corporate strategy of the Group to invest and/or to form joint ventures with local governments in the targeted countries to set up and develop new businesses taking advantage of raising capital from foreign investors through the CBI Programme of different countries. The Group has been identifying suitable investment projects in and develop appropriate business plans for each of the Designated Caribbean Countries and the Republic of Panama. After discussions with and obtaining support from the local governments of each of these Caribbean countries and the Republic of Panama, the Group will determine and proceed with the pertinent investment projects, with an aim to maximizing the return for the Shareholders. To this end, the Group has established a management and marketing team with offices in Beijing, Shanghai, Shenzhen and Hong Kong and engaged consultants in Vietnam, the United States of America and Dubai to implement the marketing strategies formulated for promoting the citizenship by investment programmes and investment opportunities of each of the aforesaid countries.

The Caribbean region has long been popular with the Western countries such as Europe, the United States of America and Canada, and is an ideal place for vacations. In particular, Antigua and Barbuda, and Saint Kitts and Nevis are closer to the United States of America, and both countries have direct flights to Europe, the United States of America and Canada. Before the outbreak of the epidemic, more than one million tourists visited these two countries every year, but the development of infrastructure such as hotels and tourism facilities lags behind. Tourists who travel to the Caribbean region are high-end consumer groups with relatively strong spending power. Thus, they generally demand higher qualities for hotels and tourism facilities. However, the tourism facilities have becoming obsolete, and the hotel buildings and supporting facilities have not been upgraded and renovated promptly. On the other hand, in view of the increasing awareness of global warming, these Caribbean countries, which are still mainly relying on traditional method of generating electricity, are encouraged to develop renewable energy. In view of these, the Group has identified four investment propositions to collaborate with the respective local governments to accelerate economic development of each country. These four areas include (i) the clean energy sector; (ii) the education sector; (iii) the tourism sector; and (iv) the retail sector. Environmental and economic benefits of using renewable energy include: (i) generating energy that produces no greenhouse gas emissions from fossil fuels and reduces some types of air pollution; (ii) diversifying energy supply and reducing dependence on imported fuels; and (iii) creating economic development and jobs in manufacturing and installation, etc.. Education, tourism and retail projects are organically integrated to create an ecosystem, providing employment opportunities, and boosting the local economy and people's quality of life. The Group would also be able to embrace corporate social responsibility alongside with its stakeholders. The Group is confident that it can obtain support from local governments with favorable policy and initiatives.

OUTLOOK AND CORPORATE STRATEGY (Continued)

The LAC Segment (Continued)

It is the Group's strategy to seek for professional investors to jointly invest in the projects in the Designated Caribbean Countries and the Republic of Panama. Further, the Group is identifying capable and competent business partners with significant track record to participate in the projects. Subject to the planning and the feasibility studies of the projects as well as the requisite approval by the respective local government, it is expected that the Group would kick off the projects in the Designated Caribbean Countries and the Republic of Panama in near future.

CONTINGENT LIABILITIES

Saved as disclosed in note 48 to the consolidated financial statements, the Group has no other significant contingent liabilities as at 31 December 2022.

LITIGATION

Saved as disclosed in note 49 to the consolidated financial statements, the Group has no other significant litigation as at 31 December 2022.

EVENTS AFTER REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2022 and up to the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentration risk

The five largest customers of the Group contributed approximately 49.0% of the total turnover of the Group for the year; while the five largest suppliers of the Group contributed approximately 75.4% of the total purchases of the Group for the year. The concentration of sales and purchases on certain customers and suppliers may pose risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

Credit risk

The account receivables/receivables arising from securities broking/loan receivables amounted to HK$1,498.8 million as at 31 December 2022, which comprise trade receivables amounted to HK$570.6 million, receivables arising from securities broking amounted to HK$518.4 million and loan receivables amounted to HK$409.8 million.

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Credit risk (Continued)

The receivables arising from securities broking comprise balances receivable from clearing house, cash client and margin client. The cash clients are required to place deposits before execution of any purchase transactions and are due within the settlement period which are usually within a few days from the trade date. The credit risk arising from the amounts due from cash clients is considered to be low. The amounts due from margin clients are repayable on demand and the margin clients are required to place securities and/or cash deposits as collateral. On a daily basis, the management monitored market conditions and adequacy of collateral of each margin client. Margin calls and forced liquidation are made where necessary.

The trade receivables are normally granted with credit terms; while the loan receivables are granted based on the clients' credit quality and will be repaid according to the agreed date of repayment. The Group recognises a loss allowance for the expected credit losses ("ECL") on the account receivables to reflect credit risk. However, the default or significant increase in credit risk of any of these clients would adversely impact the financial results and position of the Group.

Market risk

Investment properties

The Group held significant assets classified as investment properties for earning rental income and capital appreciation. Revaluation of investment properties would be conducted regularly by independent qualified professional valuers at reporting date and any surplus/deficit was recorded as fair value gain or loss in the statement of profit or loss. Fair value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The change in fair value could significantly affect the financial results and position of the Group.

Financial assets

The Group held certain financials assets for trading purpose, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the HKFRSs, the gain/loss on listed securities should be booked as fair value gain or loss on financial assets at fair value through profit or loss in the statement of profit or loss. The fluctuation in stock price could impact the Group's profitability. The directors will closely monitor the stock market and make changes to the investment portfolio in order to maximize shareholders' return.

LAWS AND REGULATIONS

Laws and regulations in relation to the financial services sector, environmental protection sector and workplace quality may have a material effect on the Group's principal activities.

Operation in regulatory sector

The Financial Services Segment of the Group operates in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses.

The EP Segment of the Group operates under relevant environmental protection regulations, non-compliance with the regulatory requirements changes will affect the Group's operation significantly. Therefore, we make it a top priority to stay up to date on new laws and regulations, and to ensure compliance with the relevant rules and regulations. The Group has implemented policies and procedures designed to ensure compliance with the most relevant laws and regulations.

We did not identify any material non-compliance or breach of the relevant regulations for our financial services business and environmental protection business.

Workplace Quality

The Group believes that continued business success relies on the full contribution and support of our employees. We are dedicated to promoting equal opportunities for all of our employees in different areas, including recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. All employees are assessed based on their ability, performance and contribution, irrespective of their nationality, race, religion, gender, age or family status.

The Group is committed to the health, safety and welfare of our employees. We pledge full compliance in all occupational health and safety legislations and we have implemented an effective and safe working environment for our employees.

We did not identify any material non-compliance or breach of labour or other relevant legislations.

Environmental Protection

The Group is committed to protecting and sustaining the environment through reduced consumption of electrical power and paper. We are committed to upholding high environmental standards to fulfill relevant requirements under applicable laws or ordinances.

We did not identify any material non-compliance or breach of relevant standards, rules and regulations on air and greenhouse gas emission, discharges into water and land, generation of hazardous or non-hazardous water, etc.

RELATIONSHIP WITH EMPLOYEES

The Group recognises employees as the most important assets of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

RELATIONSHIP WITH SUPPLIERS

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long term relationships with suppliers based on mutual trust.

Public Interest and Accountability

The procurement from suppliers or service providers is conducted in a manner consistent with the highest ethical standards. This helps assure high products quality at all times to gain the confidence of customers, suppliers and the public.

Procurement and Tendering Procedures

The contracting of services and the purchase of goods are based solely on need, quality and price. This ensures compliance with procurement policies and fosters positive and open competition.

RELATIONSHIP WITH CUSTOMERS AND CLIENTS

Customer Services

The Group seeks to provide efficient and courteous customer service to maintain customer satisfaction and co-operation. Customers have access to information about the operation and development of the Group through annual reports and the company website. The Group shall not make any misrepresentation, exaggeration or overstatement.

ENVIRONMENTAL AND SOCIAL POLICIES

Details of the environmental and social policies of the Group are set out in the Environmental, Social and Governance Report on pages 57 to 91.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total workforce of 478, of whom 295, 135, 29 and 19 were based in Hong Kong, the PRC, Japan and Grenada. Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Corporate Social Responsibility has become common practice. The Group cares to save energy, reduce waste during our day-to-day operations, and to protect the environment by implementing a series of measures in energy conservation and paper recycling etc.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

Dr. Lin Xiaohui ("Dr. Lin")

Dr. Lin, aged 49, was appointed as the chairman and an executive director of the Company and the chairman of the Nomination Committee and a member of the Remuneration Committee. Dr. Lin is also currently the chairman and an executive director of The Sincere Company, Limited, a company listed on the Main Board of the Stock Exchange (stock code: 244) ("Sincere"), a subsidiary of the Company. Dr. Lin obtained a Master degree of business administration from the City University (formerly known as the City University College of Science and Technology) in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015.

Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is currently a member of the 14th National Committee of the Chinese People's Political Consultative Conference ("NCCPPCC"), a member of the 6th Election Committee of the Chief Executive of Hong Kong Special Administrative Region, a member of the 5th to the 7th of Guangdong Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference ("CPPCC"), a vice chairman of the 8th Shenzhen Federation of Industry & Commerce, a chairman of the 4th Shenzhen Futian General Chamber of Commerce, and was a member of Standing Committee of the 3rd to the 5th of Shenzhen Futian District Committee of the CPPCC. Dr. Lin is the spouse of Madam Su Jiaohua ("Madam Su") and the brother of Mr. Lin Xiaodong ("Mr. Lin"). Dr. Lin joined the Group in June 2014.

Madam Su

Madam Su, aged 50, was appointed as the chief executive officer and an executive director of the Company. Madam Su is also currently an executive director and the chief executive officer of Sincere. Madam Su obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore (formerly known as AMGT Management School) in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the 6th People's Congress of Futian District, Shenzhen City, and a member of The 6th People's Congress of Shenzhen City. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

Mr. Lin

Mr. Lin, aged 40, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家稅務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin is the brother of Dr. Lin. Mr. Lin joined the Group in June 2014.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Leung Fai ("Mr. Yu")

Mr. Yu, aged 46, was appointed as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Yu is a member of the American Institute of Certified Public Accountants, Certified Practicing Accountants of Australia, the Hong Kong Institute of Certified Public Accountants and a Certified Trust Practitioner of the Hong Kong Trustee Association. Mr. Yu obtained a bachelor's degree in commerce from University of Toronto, Canada in June 2000 and a bachelor's degree in law from University of London, United Kingdom in August 2005. Mr. Yu has over 22 years of experience in corporate services field. He first started his career as an auditor of Deloitte Touche Tohmatsu. Since 2001, Mr. Yu joined Fung, Yu & Co. CPA Limited (formerly Fung, Yu & Co.) and is currently the company's managing partner. Mr. Yu has also been the company secretary of Beijing Media Corporation Limited (stock code: 1000), Yuanda China Holdings Limited (stock code: 2789) and Sany Heavy Equipment International Holdings Company Limited (stock code: 631), and the independent non-executive director of Dowway Holdings Limited (stock code: 8403), The Sincere Company, Limited (stock code: 244) and CSMall Group Limited (stock code: 1815), all of which are listed companies in Hong Kong, since March 2010, June 2012, February 2017, October 2019, June 2021 and November 2021, respectively. Mr. Yu joined the Group in June 2014.

Mr. Fang Jixin ("Mr. Fang")

Mr. Fang, aged 41, was appointed as an independent non-executive director of the Company, the chairman of the Remuneration Committee, a member of Audit Committee and Nomination Committee.

Mr. Fang holds a Master degree in Civil and Commercial Law from Wuhan University. Mr. Fang was a legal assistant and a solicitor in Shu Jin Law Firm from 2005 to 2008, joined the compliance and management division of China International Capital Corporation Limited from 2008 to 2012, and a deputy general manager and secretary to the board in Shenzhen Intelligent Power Precision Technology Co., Ltd from 2012 to 2021. He has joined Shenzhen Hadesheng Precision Technology Inc., Ltd since 2021 and is currently the deputy general manager and secretary to the board. Mr. Fang joined the Group in June 2014.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Mr. Ho Chun Chung, Patrick ("Mr. Ho")

Mr. Ho, aged 59, was appointed as an independent non-executive director of the Company and a member of the Audit Committee.

Mr. Ho worked in PricewaterhouseCoopers from 1987 to 1992 and Gold Peak Industries (Holdings) Limited (stock code: 40) from 1992 to 2000 with his last position as financial controller and Chen Hsong Holdings Limited (stock code: 57) from 2002 to 2005 as financial controller. Mr. Ho was an independent non-executive director of Tesson Holdings Limited (stock code: 1201) from 2014 to 2016 and Asia Investment Finance Group Limited (currently known as International Genius Company) (stock code: 33) from 2015 to 2018 respectively. He has been the independent non-executive director of Ling Yui Holdings Limited (stock code: 784) since December 2017 and A&S Group (Holdings) Limited (stock code: 1737) since February 2018. Mr. Ho obtained a professional diploma in accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1987 and a master degree in finance from the City University of Hong Kong in December 1996. Mr. Ho is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since February 1991 and October 1995, respectively. Mr. Ho joined the Group in March 2022.

SENIOR MANAGEMENT

Mr. Tsang Chin Pang ("**Mr. Tsang**"), aged 44, re-joined the Group and has been appointed as the chief financial officer and company secretary of the Company in August 2021. Mr. Tsang graduated from the Hong Kong University of Science and Technology with a bachelor of business administration in finance. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang has over 20 years of experience in the field of finance and accounting and he was the chief financial officer and company secretary of the Company for the period from February 2011 to July 2016.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 58 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2022 by business operating segments and geographical information is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 99 to 267.

No interim and final dividend have been declared during the years ended 31 December 2022 and 31 December 2021.

FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 268.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 is set out in the "Management Discussion and Analysis" section on pages 8 to 31.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2022 are set out in note 44 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company did not have any reserve available for distribution (2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 49.0% of the Group's total turnover. The amount of sales to the Group's largest customer represented 21.7% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 75.4% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 53.0% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2022.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive directors:

Mr. Yu Leung Fai
Mr. Fang Jixin
Mr. Ho Chun Chung Patrick (appointed on 8 March 2022)

Dr. Lin Xiaohui and Mr. Fang Jixin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as at the date of this report, still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No director of the Company as of the date of this report has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 13 and 52 to the consolidated financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

	Number of shares held					
Name of directors	Personal interests (held as beneficial owner)	Corporate interests	Spouse interests	Interest under equity derivatives	Total interests	Total interests as% of the issued share capital
Dr. Lin Xiaohui	–	903,160,000 *(Note 1)*	–	60,000,000 *(Note 2)*	963,160,000	66.85%
Madam Su Jiaohua	–	–	963,160,000	–	963,160,000 *(Note 3)*	66.85%
Mr. Lin Xiaodong	–	–	–	1,000,000 *(Note 4)*	1,000,000	0.07%
Mr. Yu Leung Fai	500,000	–	–	–	–	0.03%
Mr. Fang Jixin	500,000	–	–	–	–	0.03%

Notes:

1. As at 31 December 2022, Manureen Holdings Limited ("Manureen Holdings") was the legal and beneficial owner of 903,160,000 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of Manureen Holdings, he was deemed to be interested in 903,160,000 shares.

2. On 25 January 2022, Dr. Lin Xiaohui, Mr. Ma Chao and his nominees entered into a deed, pursuant to which Dr. Lin Xiaohui and Mr. Ma Chao were granted a call option over 60,000,000 shares in the Company by the nominees of Mr. Ma Chao. As such, Dr. Lin Xiaohui, being one of the grantees of the call option is interested in the 60,000,000 shares in the Company. Further details are disclosed in the announcement of the Company dated 28 January 2022.

3. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 963,160,000 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2022.

4. Mr. Lin Xiaodong was interested in 1,000,000 shares from options granted under the existing share option scheme.

Save as disclosed above, as at 31 December 2022, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Number of shares held			
Name of shareholder	**Capacity**	**Interest held as beneficial owner**	**Interest under equity derivatives**	**Total interests**	**Percentage of issued capital**
Manureen Holdings	Beneficial owner	903,160,000 *(Note 1)*	–	903,160,000	62.69%
Mr. Ma Chao	Beneficial owner	110,000,000	60,000,000 *(Note 2)*	170,000,000	11.80%

Notes:

1. As at 31 December 2022, Manureen Holdings was the legal and beneficial owner of 903,160,000 Shares. Manureen Holdings was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

2. On 25 January 2022, Dr. Lin Xiaohui, Mr. Ma Chao and his nominees entered into a deed, pursuant to which Dr. Lin Xiaohui and Mr. Ma Chao were granted a call option over 60,000,000 shares in the Company by the nominees of Mr. Ma Chao. As such, Dr. Lin Xiaohui, being one of the grantees of the call option is interested in the 60,000,000 shares in the Company. Further details are disclosed in the announcement of the Company dated 28 January 2022.

Save as disclosed above, as at 31 December 2022, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

The Company operates share option schemes (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The existing share option scheme (the "2012 Scheme") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The 2012 Scheme was originally due on expiry on 9 August 2022, but a new share option scheme (the "2022 Scheme") adopted by the Company and the termination of the 2012 Scheme were approved by the shareholders at the annual general meeting of the Company held on 10 June 2022. Thereunder, no further options will be granted under the 2012 Scheme; however, the rules of the 2012 Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its termination or otherwise as may be required in accordance with the rules of the 2012 Scheme. Therefore, the termination of the 2012 Scheme will not in any event affect the terms of the grant of such outstanding options that has already been granted under the 2012 Scheme and the outstanding options granted under the 2012 Scheme shall continue to be subject to the provisions of the 2012 Scheme. As at 31 December 2022, the Company has not granted any share options under the 2022 Scheme pursuant thereto.

Further details of the share option schemes are disclosed in note 45 to the consolidated financial statements.

Movements of the share options under the 2012 Scheme during the year are as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per share (HK$)	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Outstanding as at 31 December 2022
Director							
Lin Xiaodong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	1,000,000
				1,000,000	–	–	1,000,000
Directors' associates							
Lin Xiaohong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	1,000,000
Lin Jingming	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	1,000,000
				2,000,000	–	–	2,000,000
Other employees							
In aggregate	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,600,000	–	(1,000,000)	600,000
				1,600,000	–	(1,000,000)	600,000
				4,600,000	–	(1,000,000)	3,600,000

There was no participants with options granted in excess of the individual limit.

The weighted average closing price immediately before the exercise of the share options was HK$13.60.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 45 to 56.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted continuing connected transaction with a connected person (as defined in the Listing Rules) which is required to be disclosed pursuant to Chapter 14A of the Listing Rules.

Financing Agreement

On 28 October 2020, a non-wholly owned subsidiary of the Group, Realord Asia Pacific Securities Limited (the "Realord APSL") entered into a financing agreement with Dr. Lin, Madam Su, Mr. Lin Sen and Ms. Lin Na ("Ms. Lin") (together, the "Lin Family Members") in relation to the provision of securities brokerage and margin financing services (the "Financing Agreement") from 2021 to 2023. Pursuant to the Financing Agreement, Realord APSL shall provide the IPO financing services and margin financing services (together, the "Financing Services") to the Lin Family Members and their respective majority-owned companies for a term commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive). The annual caps for each of the financial years ended 31 December 2021 and 2022, and the financial year ending 31 December 2023 were set below. During the year ended 31 December 2022, the IPO financing and margin financing did not exceed the maximum daily balances.

	For the year ended 31 December		**For the year ending 31 December**
	2021	**2022**	**2023**
	HK$'million	*HK$'million*	*HK$'million*
Maximum daily balance of:			
– IPO financing			
Dr. Lin	250	250	250
Madam Su	250	250	250
Mr. Lin Sen	250	250	250
Ms. Lin	250	250	250
Total	1,000	1,000	1,000
– Margin financing			
Dr. Lin	20	20	20
Madam Su	–	–	–
Mr. Lin Sen	20	20	20
Ms. Lin	20	20	20
Total	60	60	60

The entering into of the Financing Agreement enables Realord APSL to offer the Financing Services to the Lin Family Members and their respective majority-owned companies from time to time, which will allow Realord APSL to retain them as recurrent clients and increase the revenue of Realord APSL. A larger client portfolio of Realord APSL as a whole would also facilitate Realord APSL in obtaining more fundings from principal banks to support its business development.

Dr. Lin and Madam Su are executive directors and spouse to each other. Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, the controlling shareholder of the Company. Mr. Lin Sen is a director of certain subsidiaries of the Company (including Realord APSL), the son of Dr. Lin and Madam Su, and the brother of Ms. Lin. Ms. Lin is the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin Sen. By virtue of the aforesaid relationships of Dr. Lin, Madam Su and Mr. Lin Sen with the Group and Ms. Lin as an associate of each of them, each of the Lin Family Members is a connected person of the Company under Chapter 14A of the Listing Rules.

Details of the above continuing connected transactions are set out in the circular of the Company dated 1 December 2020.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions as mentioned above and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditors, Grant Thornton Hong Kong Limited ("Grant Thornton") 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 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transaction disclosed by the Group in the paragraph 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.

Save as disclosed above, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules during the year. For those related party transactions of the Group during the year as disclosed in note 52 to the consolidated financial statements, all were connected or continuing connected transactions (as the case may be) which were fully exempted from the disclosure requirements for reporting, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company had maintained a sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules throughout the year under review.

DONATIONS

For the year ended 31 December 2022, the Group has made donation of approximately HK$112,000 (2021: HK$503,000)

AUDITOR

Grant Thornton Hong Kong Limited has been appointed as the Company's auditor on 15 January 2020 following the resignation of Deloitte Touche Tohmatsu. Save as disclosed above, there was no other change of the auditor of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2022 of the Group have been audited by Grant Thornton Hong Kong Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Lin Xiaohui
Chairman

Hong Kong, 28 March 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the board of directors (the "Board") instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to the Shareholders of the Company;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Board has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, to enhance corporate value and accountability, to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company has applied the principles and code provisions ("Code Provision") as set out in Part 2 of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the directors, throughout the year ended 31 December 2022, the Company has complied with all the code provisions as set out in Part 2 of the Code.

CORPORATE GOVERNANCE PRACTICES (Continued)

Non-Compliance With Rules 3.10(1) And 3.21 Of The Listing Rules During The Year Ended 31 December 2022

As announced by the Company dated 15 September 2021, Dr. Li Jue resigned as the independent non-executive director and ceased to be the member of the Audit Committee. Following the resignation of Dr. Li Jue, the Board comprised only two independent non-executive directors and failed to meet the requirements of (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; and (b) Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Ho Chun Chung Patrick on 8 March 2022, the Company had complied with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules. For details, please refer to the announcements of the Company dated 15 September 2021, 15 December 2021 and 8 March 2022, respectively.

CORPORATE CULTURE AND STRATEGY

The Group keeps pace with the times and firmly believes that mission, vision, strategy, purpose, and core values are important cornerstones for promoting a good corporate culture. Core values are the most important component of corporate culture and reflect the behavior and social attitudes that the management and all employees uphold and expect.

The Group has four main missions:

(i) To gather talented people and work together towards success;

(ii) To uphold excellent and professional corporate management, enhancing shareholder value;

(iii) To empower employees and grow together; and

(iv) To adhere to a transparent, responsible, honest, and open corporate culture.

Over the years, the Group has upheld the corporate mindset of “innovation development and pursuit of excellence”, continuously improving the quality, efficiency, and competitiveness of its products and services, and dedicating to creating a win-win situation with customers, business partners, and shareholders, to build a harmonious and better society, and practicing the corporate spirit of “The way of Realord & being Sincere”.

The Group’s business development and management strategy are consistent with its vision, focusing on investments with stable recurring income to achieve a long-term, stable, and sustainable growth, while appropriately considering the environmental, social, and governance (“ESG”) aspects, to bring the greatest long-term return to shareholders.”

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2022.

BOARD OF DIRECTORS

The Company is governed by the Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a director to perform his responsibilities to the Company and whether the director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive directors and non-executive directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

BOARD OF DIRECTORS (Continued)

The Board held 5 times Board Meetings during the year ended 31 December 2022. The attendance records of individual directors at Board meetings and annual general meetings (the "AGM") were follows:

Name	Number of Board meetings attended/held	Number of AGM attended/held
Executive directors		
Dr. Lin Xiaohui *(Chairman)*	5/5	1/1
Madam Su Jiaohua *(Chief Executive Officer)*	5/5	1/1
Mr. Lin Xiaodong	5/5	1/1
Independent non-executive directors		
Mr. Yu Leung Fai	5/5	1/1
Mr. Fang Jixin	5/5	1/1
Mr. Ho Chun Chung Patrick *(appointed on 8 March 2022)*	3/3	1/1

Dr. Lin Xiaohui and Madam Su Jiaohua are spouses.
Dr. Lin Xiaohui and Mr. Lin Xiaodong are brothers.

To the best knowledge of the Company and save as disclosed above, there is no financial, business and family relationship among members of the Board.

Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Code Provision B.2.2 of the Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to Bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election.

DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2022, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision C.1.4.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company are separated, with a clear division of responsibilities to assume a balance of authority and power.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group benefits from the experience and expertise of the independent non-executive directors of the Company. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Code Provision B.2.2 of the Code and the Bye-laws of the Company.

BOARD INDEPENDENCE

Independent non-executive directors represent more than one-third of the Board, which facilitates in bringing to the Board independent advice and judgement. Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, the independent non-executive directors are appointed to all Board committees as far as possible to ensure independent views and inputs are available.

The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive directors before appointment and the continued independence of the current long-serving independent non-executive directors on an annual basis.

The Board reviews these mechanisms on an annual basis for ensuring independent views and input are available to the Board, whether in terms of proportion, recruitment and independence of independent non-executive directors, their contribution and access to external independent professional advice, and the findings of Board evaluation exercise.

DIVERSITY

Board Diversity

The Board maintains a board diversity policy (the "Board Diversity Policy") and reviews the effectiveness of the Board Diversity Policy on an annual basis. According to the Board Diversity Policy, a truly diverse board will include and make good use of differences in the gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of the members of the Board. These differences will be taken into account in determining the optimal composition of the Board. The Board Diversity Policy require the Company to endeavour to at least maintain both male and female representations on the Board and take opportunities to increase the proportion of different members over time as and when suitable candidates are identified. The Board currently compose of 5 male members and a female member.

Workforce Diversity

As set out in the section headed "B1. Employment" in the ESG Report as contained in this annual report, among the 478 employees (including senior management) of the Group, the percentages of male employees and female employees are 47.5% and 52.5%, respectively. The Board considers that the Group's workforce (including senior management) are diverse in terms of gender.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions set out in the Code Provision A.2.1 of the Code:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report; and
- The Board is also responsible for such other corporate governance and functions set out in the Code Provisions (as amended from time to time) for which the Board are responsible.

REMUNERATION COMMITTEE

During the year ended 31 December 2022, the members of the Remuneration Committee comprised two independent non-executive directors and one executive director of the Company, namely Mr. Fang Jixin (Chairman), Mr. Yu Leung Fai and Dr. Lin Xiaohui. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee held 2 times meetings during the year ended 31 December 2022. Directors and other related matters, and the attendance record, on a named basis, is set out below:

Remuneration Committee Members	**Meeting attended/held**
Mr. Fang Jixin *(Chairman)*	2/2
Mr. Yu Leung Fai	2/2
Mr. Lin Xiaohui	2/2

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. During the year ended 31 December 2022, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision E.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION COMMITTEE

During the year ended 31 December 2022, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

The Nomination Committee held 2 times meetings during the year ended 31 December 2022. Directors and other related matters, and the attendance record, on a named basis, is set out below:

Nomination Committee Members	**Meeting attended/held**
Dr. Lin Xiaohui *(Chairman)*	2/2
Mr. Yu Leung Fai	2/2
Mr. Fang Jixin	2/2

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations on the procedures and criteria for appointment of directors and implementing those that are adopted by the Board. During the year ended 31 December 2022, the Nomination Committee has reviewed the structure, size and composition of the Board, the independence of the independent non-executive directors, the Board Diversity Policy and to consider the qualifications of the retiring directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

NOMINATION COMMITTEE (Continued)

The nomination policy of the Company specifies the selection criteria of directors including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above) cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

AUDIT COMMITTEE

During the year ended 31 December 2022, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Mr. Ho Chun Chung Patrick (appointed on 8 March 2022). The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee held 2 times meetings during the year ended 31 December 2022. Directors and other related matters, and the attendance record, on a named basis, is set out below:

Audit Committee Members	**Meetings attended/held**
Mr. Yu Leung Fai *(Chairman)*	2/2
Mr. Fang Jixin	2/2
Mr. Ho Chun Chung Patrick *(appointed on 8 March 2022)*	2/2

During the year, the Audit Committee had reviewed the Group's interim and annual results, risk management and internal control system and financial reporting matters. The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2022, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditor's Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that an appropriate and effective risk management and internal control systems (including ESG risks) are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its risk management and internal control systems, and is also responsible for overseeing the performance of the risk management and internal control system on an ongoing basis. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board has, through Audit Committee, conducted a review on the adequacy and effectiveness of the risk management and internal control systems of the Group, which covered financial, compliance and operational controls as well as risk management mechanisms. The Board also reviewed the adequacy of resources, staff qualifications for those who are responsible for accounting and financial reporting function and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The internal auditor of the Group has performed an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group. The review results has been properly reported to the Audit Committee.

The Board has established a policy and guideline on the procedures and internal controls for the handling and dissemination of inside information, which stipulated the duties and responsibilities of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures.

Based on the internal control reviews conducted in 2022, no significant control deficiency was identified.

ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICY

The Group has established (i) policy and measures that promote and support anti-corruption laws and regulations; and (ii) whistleblowing policy and measures for employees, suppliers and business partners to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Group. For further details of the Group's anti-corruption and whistleblowing policy and/or measures, please refer to the section headed "B7. Anti-corruption" of the "ESG Report" contained in this annual report.

AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

For the year ended 31 December 2022, fees paid/payable to the Company's external auditors for annual audit services totalled HK$5,600,000 (year ended 31 December 2021: HK$5,400,000). For other audit/review-related services, the fees amounted to HK$1,177,000 (year ended 31 December 2021: HK$1,121,000).

COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2022 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company has been amended at the 2022 annual general meeting held on 10 June 2022 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rule and certain changes to the laws of Bermuda. The amendments were disclosed in details on pages 35 to 98 of the Company's circular to shareholders dated 28 April 2022 published on the websites of the Company and the Stock Exchange.

An updated version of the Bye-laws of the Company is available on the website of the Company (www.realord.com.hk) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

DIVIDEND POLICY

The payment and the amount of any dividends will be at the discretion of our directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our directors deem relevant.

SHAREHOLDERS' RIGHTS

Convenes a special general meeting of the Company

Pursuant to Bye-law 58 of the Company, Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene a special general meeting.

Enquiries to the Board

Shareholder(s) may at any time send their enquires to the Board in writing through the Company Secretary whose contact details are as follows:

Company Secretary
Realord Group Holdings Limited
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

SHAREHOLDERS' RIGHTS (Continued)

Procedures for putting forward proposals at general meetings

The following shareholder(s) are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

1. any shareholder(s) representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

2. not less than one hundred shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company in the case of:

(1) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(2) any other requisition, not less than one week before the meeting.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended) once valid documents received.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has maintained a policy for an effective channel of communication with the Shareholders (the "Shareholder Communication Policy") and established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the annual general meeting of the Company will be voted by poll;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.realord.com.hk contains extensive information and updates on the Company's business.

The Company reviews the effectiveness of the Shareholder Communication Policy annually.

OVERVIEW

Realord Group Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "we") is a conglomerate listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which included the Property Segment, the Financial Services Segment, the EP Segment, the MVP Segment, the Commercial Printing Segment, the Department Store Segment, and the LAC Segment with geographic coverage in Hong Kong, the People's Republic of China (the "PRC"), Japan, and Grenada.

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development during the reporting period from 1 January 2022 to 31 December 2022 (the "Reporting Period").

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

THE ESG GOVERNANCE STRUCTURE

The Group conducts a top-down management approach regarding its ESG issues. The board of directors (the "Board") oversees and sets out ESG strategy for the Group. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal control mechanisms. To develop a systematic management approach for ESG issues, the Group has arranged designated personnel from various departments to manage the Group's ESG matters as a working group. The working group is responsible for collecting relevant information on the ESG aspects for the preparation of the ESG Report. It periodically reports to the Board, assists in identifying and assessing the Group's ESG risk, and evaluates the implementation and effectiveness of the Group's internal control system, to evaluate, prioritise and manage material ESG-related issues. It also examines and reviews the Group's ESG performance against the Group's ESG-related goals and targets, including environmental, labour practices, and other ESG aspects.

REPORTING SCOPE

The reporting scope of this ESG Report remains consistent with last year, which covers the below business segments:

1) Office of holding company located in Hong Kong;
2) Commercial printing segment located in Hong Kong;
3) Distribution and sales of motor vehicle parts in Hong Kong;
4) Financial services segment in Hong Kong;
5) Property investment, development and commercial operation in Shenzhen, China;
6) Environmental protection industry in Japan and Guangxi, China;
7) Department store in Hong Kong; and
8) Grenada Project in Grenada.

REPORTING PRINCIPLES

We have taken the following reporting principles into account in development of this ESG Report:

Materiality

We regularly engage our stakeholders to better understand their concerns relating to sustainability issues that affect them. We also make regular reference to our peers and both local and regional sustainability criteria when we review our sustainability context, materiality and disclosures in order to keep our sustainability priorities and strategy relevant. The Board and the management regularly review the sustainability issues that are most significant to our business and operations, and consider the issues discussed in this Report to be material to the Group.

Quantitative

For the quantitative information we report on, we provide explanation on how we collect and analyse relevant data in appropriate circumstances. The environmental key performance indicators include the disclosure of comparative data to allow stakeholders to make analysis based on our performance.

Balance

We aim to keep our report balanced and make fair disclosures on critical aspects of our performance, both in terms of progress made and continuing challenges that we are dealing with.

Consistency

We have reported in accordance with the ESG Reporting Guide of the Stock Exchange, which allows for year-to-year comparison with our previous performance. During the Reporting Period, the Group has included the data for the LAC Segment, which may cause inconsistency to the year ended 31 December 2021.

COMMUNICATION WITH STAKEHOLDERS

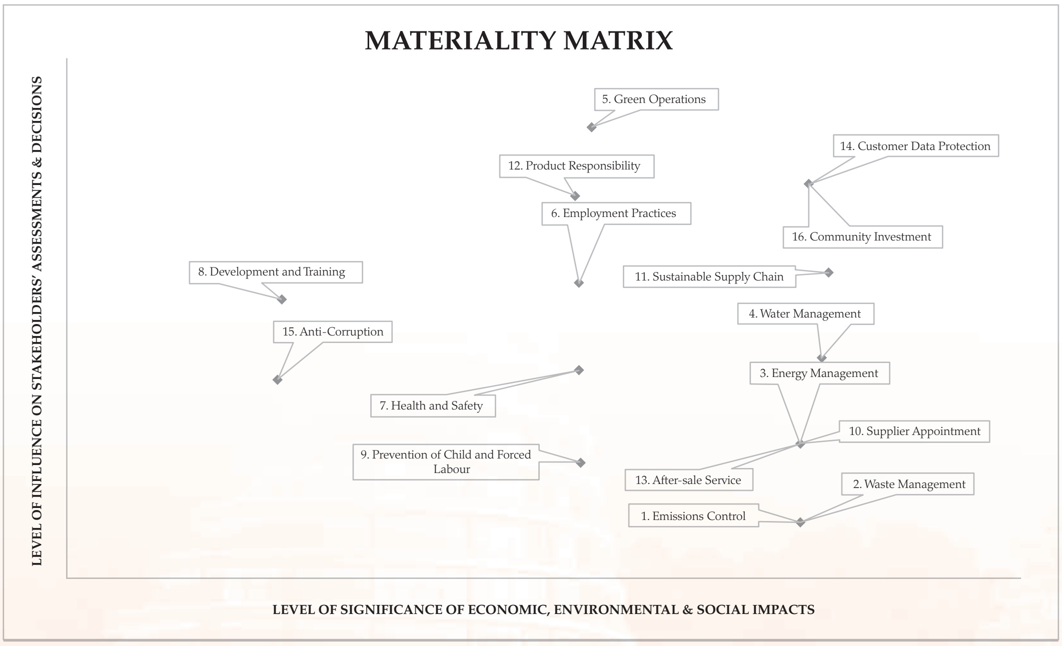
The Group strives to accommodate views and interests of stakeholders (including but not limited to shareholders, customers, employees, suppliers, regulatory authorities and the public) through constructive communications with them to determine the direction of the Group's long-term development and maintain close relationships with stakeholders. The financial performance of the Group is summarised in the Group's interim report and annual report and reported to investors through the Group's official website (www.realord.com.hk).

Stakeholders	Possible issues of concern	Communication channels
The Board	• Corporate governance • Regulatory compliance • Financial performance • Strategic development	• Board meetings • Committee meetings • Annual general meeting • Emails
Shareholders and investors	• Corporate governance system • Business strategies and performance • Investment returns	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website and email
Customers	• Good customer service • Reasonable prices • Privacy protection • Business integrity and ethics	• Customer service hotline • Interim and annual reports, corporate websites • Regular meetings and communication
Employees	• Remuneration and compensation • Equal opportunities • Career development • Health and safety	• Training • Employee handbook • Staff appraisals
Suppliers	• Payment schedule • Stable demand • Fair and open tendering	• Emails • Regular assessment of suppliers' performance • Supplier management meetings and events
Regulatory bodies and government authorities	• Regulatory compliance • Prevention of tax evasion • Social welfare	• Interaction and visits • Government inspections • Compliance advisor
Media, community and the public	• Environmental protection • Employment and community development • Social welfare	• Community activities • Employee voluntary activities • ESG reports • Media

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community continuously.

MATERIALITY ASSESSMENT

The Group's management and staff in major functions are involved in the preparation of the ESG Report. They have assisted the Group to review its operations, identify key ESG issues, and assessed the importance of those relevant matters to our business and stakeholders. Last year, the Group has compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments, business units, and stakeholders of the Group. During the Reporting Period, the materiality matrix is still applicable as no significant changes in the Group's business segments. The following matrix is a summary of the Group's material ESG issues:



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

CONTACT US

We treasure your feedback and comments on our sustainability performance. You can provide valuable advice in respect of the ESG Report or the Group's performance in sustainable development by writing us to 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

A. ENVIRONMENTAL

A1. Emissions

Environmental protection and sustainable development rely on concerted efforts from all industries and society. Engaging into various businesses, we strive to integrate environmental sustainability into our business operations and are committed to reducing our environmental footprint.

Due to our business nature, we recognise that our day-to-day operations can impact both, directly and indirectly, the environment. Therefore, we have formulated the Environmental Policy to protect and improve the environment and promote sustainability within our business. We constantly uphold the principles of emission reduction and resource efficiency in our environmental management approaches by implementing measures and adopting best practices that promote energy efficiency, wastes reduction, and other green initiatives. The Group is also committed to educating our employees in raising their awareness of environmental protection and complying with relevant environmental laws and regulations. Within our policy framework, we continually look for opportunities to pursue environmentally friendly initiatives and enhance our environmental performance by reducing energy consumption and the use of other resources.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental related laws and regulations that would have a significant impact on the Group, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and The Basic Environment Law in Japan. During the Reporting Period, there was no case of prosecution against the Group in relation to the violation of environmental laws.

EMISSIONS CONTROL

Air and Exhaust Gas Emissions

All our operating locations strictly comply with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and Air Pollution Control Act in Japan and emission standards specified by different provinces and cities, to keep the exhaust emissions within the thresholds under relevant laws and regulations, and minimise the impact on neighbouring regions.

The air pollutant we generated is mainly due to automobile emissions of the Group. Therefore, we have been focusing on the exhaust emissions of various equipment and has implemented a series of emission control such as arranging regular repairment and maintenance for the Group's automobiles, maintaining engines and other mechanical systems in proper condition to improve fuel efficiency and reduce pollutant emissions. In order to minimise exhaust emissions, the Group has prepared to replace traditional diesel vehicles with energy saving vehicles gradually amidst the business growth of the Group, expecting to slow down the emission.

In view of the impact of wasted gas produced by waste plastics processing machines on the surrounding environment, the Group has installed a gas collecting and extracting device at the exhaust outlet of the waste processing machinery in our Japan Recycling Yard. The device with the activated carbon fiber adsorption technology is to discharge waste gas after it is being collected and processed. In addition, the Group also focuses on improving the ventilation in the workshops, reducing the concentration of exhaust gas in the workshops effectively through air-diluting. After being processed and purified, relevant exhaust gas has already met the standards of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and Air Pollution Control Act in Japan that effectively safeguard employees' occupational health.

During the Reporting Period, the Group exhaust gas emissions have slightly reduced due to the emissions control measures. The table below sets out the Group's exhaust emissions in the last two reporting years:

Types of exhaust gas	Unit	Emissions	
		2022	2021
Nitrogen oxides (NO_x)	kg	184.71	246.24
Sulphur oxides (SO_x)	kg	0.96	0.81
Particulate Matter (PM)	kg	17.18	23.23

GHG Emissions

It is an indisputable fact that global warming is becoming more and more serious. The Group has been paying attention to climate change issues. In this regard, it seeks to take the optimal measures to reduce greenhouse gas emissions from business operations and combat climate change. We also conduct data monitoring to identify and classify sources of greenhouse gas emissions in accordance with requirements and guidelines of the Stock Exchange, so as to compare the data performance of various sources.

We also conduct data monitoring to identify and classify sources of greenhouse gas emissions in accordance with requirements and guidelines of the Stock Exchange, so as to compare the data performance of various sources.

The Group has set the emission target to maintain the total GHG emission intensity level in FY2022 as in FY2021 (FY2021: approximately 3.92 tCO_2e per employee). Due to the emissions control measures, the Group's total GHG emissions intensity was slightly decreased during the Reporting Period. We aim to achieve the target of maintaining the total GHG emission intensity level in FY2023 as in FY2022. In order to achieve this emission target, the Group has implemented a number of energy-saving measures. For measures on energy conservation and emission reduction, please refer to the section headed "Use of Resources".

The table below sets out the total GHG emissions and intensity of the Group in the last two reporting years:

Indicators[1]	**Unit**	**Emissions**	
		2022	2021
Scope 1 – Direct GHG emissions • Fuel consumed by vehicles and machinery	tCO_2e	349.46	285.75
Scope 2 – Indirect GHG emissions • Purchased electricity	tCO_2e	1,468.70	1,755.17
Total GHG emissions	tCO_2e	1,818.16	2,040.92
Total GHG emissions intensity[2]	tCO_2e/no. of employee	3.80	3.92

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the latest published Baseline Emission Factors for Regional Power Grids in China and the latest published emission factors of Japan.

2. As at 31 December 2022 and 31 December 2021, the Group had 478 and 521 employees under the specified ESG reporting scope respectively. The data is also used for calculating other intensity data.

NOISE POLLUTION MANAGEMENT

In accordance with the standards of the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) and Noise Regulation Law in Japan, the Group adopted enclosed design for its Japan Recycling Yard and set up sound barriers to prevent noise and from affecting the surrounding environment during operation.

SEWAGE DISCHARGE

Due to the Group's business nature, the sewage discharge into land is insignificant. Similarly, there was no significant and unreasonable amount of sewage water discharged; used water was discharged to the municipal sewage network to the regional water treatment plant.

WASTE MANAGEMENT

The Group develops and implements strict management measures for waste generated in the production process in reference to the List of National Hazardous Wastes (《國家危險廢物名錄》), the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and the Management Measures for Transfer Forms of Hazardous Waste (《危險廢物轉移聯單管理辦法》), The Basel Law and Waste Management and Public Cleansing Law in Japan, to systematically identify environmental factors of production process and made detailed guidelines of waste management available.

Hazardous Waste Management

The hazardous wastes generated during the operation of the Group's Japan Recycling Yard mainly involve waste machine oil, circuit boards, scrap rubber, activated carbon, etc. The Group strictly complies with the regulations and requirements in the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物環境污染防治法》) and the Administrative Measures for Hazardous Waste Transfer Manifest (《危險廢物轉移聯單管理辦法》) and The Basel Law in Japan on hazardous waste disposal in the course of centralised collection and temporary storage management of hazardous wastes, and have entered into service agreements with qualified waste disposal companies designated by local governments to assist the Group in proper disposal of all hazardous wastes. During the Reporting Period, all of the hazardous wastes were legally disposed of by a licenced hazardous waste collector.

Non-Hazardous Waste Management

The Group adopts the 5R (i.e. Refuse, Reduce, Reuse, Repair and Recycle) management strategy for the management of non-hazardous waste. The Group's Japan Recycling Yard has set up a recycling center where employees collect, mark and separate different types of solid waste in accordance with the Law on Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》), and the Administrative Measures for Municipal Domestic Waste (《城市生活垃圾管理辦法》) and The Basel Law in Japan.

The reusable waste, including paper, plastic, and metal, will be sent to recycling agencies for proper treatment. We endeavour to improve the recycling rate and achieve the highest resource efficiency through internal operation management, publicity, training, labelling, classification, recycling, and other policy controls. In addition, in order to improve the efficiency of energy and resource use, the Group regularly engages qualified professional agencies to carry out environmental monitoring, and from time to time invites environmental experts to propose improvement plans which will be studies and implemented. To effectively control the paper usage and its subsequence disposal, the Group has implemented related reduction initiatives, which can be found in "Aspect A3–The Environment and Natural Resources".

The table below sets out the non-hazardous wastes' total volume and intensity of the Group in the last two reporting years:

Types of non-hazardous waste	Unit	Disposal Amount	
		2022	2021
Total non-hazardous wastes disposed	tonnes	19.87	16.13
Total non-hazardous wastes intensity	tonnes/no. of employees	0.04	0.03

The Group has set a target for waste generation to maintain the total non-hazardous wastes disposal intensity level in FY2022 as in FY2021 (FY2021: approximately 0.03 tonnes per employee). Although the total non-hazardous wastes disposal intensity was slightly increased during the Reporting Period due to the resume of business activities after COVID-19 pandemic, we aim to achieve the target of maintaining the total non-hazardous wastes disposal intensity level in FY2023 as in FY2022. In order to achieve this waste disposal target, the Group has adopted green office practices to reduce paper consumption. The Group has implemented an electronic office system to encourage the use of electronic forms for internal communication, such as business trip application and expense reimbursement application. In addition, the Group has set duplex printing as the default mode for printers.

A2. Use of Resources

In order to use all resources including energy, water, and other natural resources more effectively and prudently, we continuously invest in the upgradation and improvement of technologies and equipment, energy-saving and consumption reduction, as well as environmentally friendly facilities, so that it can utilise the resources more efficiently and, to some extent, reduce the consumption of various resources.

ENERGY MANAGEMENT

As a socially responsible company, we advocate the use of energy-saving, efficient and environmental-friendly construction equipment, machinery and tools and office appliances recommended by the state and the industry. For energy conservation, we require contractors to adopt various energy-saving measures during construction. Meanwhile, we continuously update the latest environmental news to optimise the existing services, so as to reduce environmental pollution.

The energy conservation measures we have implemented are as follows:

Energy conservation measures

(1) It is planned to gradually replace the existing office and warehouse lighting with LED lighting, which can lower power consumption and reduce hazardous waste from replacement of short-lived traditional lighting fixtures.

(2) All employees are required to participate in energy saving and emission reduction actions; employees are educated to properly use office electrical equipment including lighting, electric fans, air conditioners and other facilities, to turn off the equipment not in use in their responsible areas, and to check and ensure that all energy-consuming equipment is turned off before leaving work. In addition, the Group disseminates knowledge of energy conservation and emission reduction to encourage employees to develop energy-saving and environment-friendly work habits.

(3) It is required to set the air conditioning temperature at 25 degrees to avoid waste of energy.

(4) Office equipment (such as refrigerators and air conditioners) is cleaned on a regular basis to improve operational efficiency.

(5) Environment-friendly and energy-efficient appliances and equipment are preferred.

Through the implementation of such measures, employees' awareness of reducing energy use has been noted to have increased.

The table below sets out the total energy consumptions and intensity of the Group in the last two reporting years:

Types of energy	Unit	Consumption 2022	Consumption 2021
Direct energy consumption[1]	**kWh**	**1,379,882.31**	**1,370,627.44**
Diesel	kWh	1,142,001.98	1,097,254.97
Petrol	kWh	237,880.33	273,372.47
Indirect energy consumption	**kWh**	**3,272,089.08**	**2,641,342.45**
Purchased electricity	kWh	3,272,089.08	2,641,342.45
Total energy consumption	**kWh**	**4,651,971.39**	**4,011,969.89**
Total energy consumption intensity	kWh/No. of employees	9,732.16	7,700.52

The Group has set an energy use efficiency target to maintain the total energy consumption intensity level in FY2022 as in FY2021 (2021: approximately 7.70 MWh per employee). Although the total energy consumption intensity was slightly increased during the Reporting Period due to the resume of business activities after COVID-19 pandemic, we aim to achieve the target of maintaining the total energy consumption intensity level in FY2023 as in FY2022. The Group has implemented above number of energy-saving measures in order to achieve this energy reduction target, including to promote energy saving at office area.

WATER MANAGEMENT

Water is one of our most important natural resources. In order to cherish the precious water resources, the Group makes every effort to maximise the water resources used in its business operations. We actively promote the concept of valuing water to employees and maintain in good condition, so as to achieve our goal of water saving. In particular, Japan Recycling Yard has implemented the reuse of water resources, as the water used in washing clothes and hands in the staff dormitory are collected for flushing toilets.

The table below sets out the total water consumptions and intensity of the Group in the last two reporting years:

Indicator	Unit	Consumption 2022	Consumption 2021
Water consumption	m^3	8,074.41	7,106.61
Water consumption intensity	m^3/no. of employees	16.89	13.64

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

The Group has set a water use efficiency target to maintain the water consumption intensity level in FY2022 as in FY2021 (2021: approximately 13.64 m^3 per employee). Although the total water consumption intensity was slightly increased during the Reporting Period due to the resume of business activities after COVID-19 pandemic, we aim to achieve the target of maintaining the total water consumption intensity level in FY2023 as in FY2022. The Group has implemented the water-saving measures above in order to achieve this water use efficiency reduction target.

PACKAGING MATERIAL

The packaging materials of the Group are mainly consumed by the business segment of Sincere. Reducing the packaging material bring both the environmental and economic benefit. The Group is dedicated to optimise the design of the packaging such that it can deliver against key performance criteria while using the least amount of packaging material. The Company measures different types of material used to gauge our environmental performance. The following tables show the figures of material consumption of packaging materials:

Indicator	Unit	Consumption 2022	Consumption 2021
Plastic Bag	pieces	83,100	91,300
Carton Box	pieces	225	166
Polypropylene woven bag	tonnes	30	N/A

A3. The Environment and Natural Resources

The Group integrates environmental responsibility into its daily business operations. Accordingly, the Group promotes green operations and green procurement policy to reduce environmental impact and the consumption of natural resources.

NATURAL RESOURCE PROTECTION

To reduce the consumption of paper, a main type of natural resource consumed by the Group, we encourage our employees to transmit information electronically and process documents on computers as much as possible, and require them to print on both sides as far as possible. The number of company envelopes, portfolios, brochures, etc. for internal use is also verified to avoid overprinting. For reusable and recyclable resources in waste, such as waste paper and printer ink cartridges, we have set up collection bins for classification management to facilitate internal recycling or transfer to qualified recyclers for further recycling. We grow vegetables and poultry in the open space of our Japan Recycling Yard to meet our daily needs and reduce purchases of such goods. We also actively cooperate with environmental protection agencies, and organise our staff to participate in activities recycling and donating waste clothes and articles, so as to convey the message of environmental protection to the public.

To ensure that employees implement the Group's environmental protection philosophy in their daily work, all new employees are required to go through the training in environmental protection.

GREEN OFFICE POLICY

The Group has implemented a series of measures to reduce the use of office supplies:

- Implement electronic file management, encouraging employees to process documents on computers and transmit information electronically as far as possible, and reducing the printing, transmission, sorting and archiving of paper files. The number of envelopes, portfolios and brochures issued by the Group is also subject to verification and control to minimise the demand for paper;

- Categorise waste, recycle and transfer recyclable resources to qualified recyclers, various collection bins have been placed in the office for the recycling of single-sided printed paper and printer cartridges;

- Place various green plants in different areas of the office, the green area coverage in Japan Recycling Yard has reached 15%, which helps clean air and improve indoor and surrounding air quality;

- Put up "Save Water" reminders in appropriate places to remind employees to reduce water consumption in their daily operations and to close the taps immediately after use so as to reduce unnecessary waste; and

- Enhance daily maintenance and management of water equipment, including regular maintenance of water mains and pipes to reduce hidden leakage.

A4: Climate Change

The Group recognises that climate change has been affecting our stakeholders, business operations and communities in different aspects. The Group strive to enhance its ability to respond to climate impacts and mitigate the risks and impacts of climate change on the Group, thereby helping the Group to adapt to and resist climate change. During the Reporting Period, the Group has been paying close attention to the impact of climate change as described below.

PHYSICAL RISKS

Extreme weather caused by climate change such as typhoons and rainstorms may disrupt business operations. In order to minimise disruptions to our business operations, the Group has put in place a set of contingency measures for adverse weather conditions as well as appropriate back-up of important information to minimise the negative impact on our business.

In addition to the above, the Group is also fully aware that extreme weather conditions may endanger the health and safety of employees. Therefore, we have formulated comprehensive typhoon and rainstorm arrangements to protect the health and safety of employees in extreme weather conditions. The Group also takes into account the different situations faced by individual employees under extreme weather conditions as far as possible, such as residence, nearby roads and traffic conditions, and adopts flexible treatment methods depending on the actual difficulties and needs of employees. For example, the Group implements a flexible off-duty day schedule for employees. At the same time, under extreme weather conditions, the human resources department will remind and notify employees of the latest weather conditions through communication software or emails.

TRANSITION RISK

In terms of legal risks, the Group expects that the laws and regulations related to climate change will become more stringent, such as the possibility that local governments adopt carbon tax to manage national GHG emissions. As a result, the Group may be exposed to legal risks and may have to incur higher operating costs to comply with regulatory changes. The Group has adopted a series of measures against possible legal risks. Firstly, the Group continuously monitors any changes in laws or regulations. Secondly, the Group has sought compliance advisory services to reduce legal risks. Thirdly, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions. As we do more than meet the compliance requirements, we can quickly adapt to the more stringent regulations that may arise.

B. SOCIAL

B1. Employment

The success of our business depends on the untiring efforts and dedicated service of all employees. The Group understands that the recruitment, retention and cultivation of talents can help maintain its market competitiveness. The Group has in place the Employee Handbook to ensure that employees are treated in a fair and reasonable manner. As at 31 December 2022, the Group employed a total of 478 staff, including operational office, sales and marketing, and back office division.

During the Reporting Period, the breakdown of employees by gender, age group and employment type and geographical regions were as follows:

	FY2022
By gender	
Male	227
Female	251
By age group	
30 years old or below	66
31-50 years old	234
51 years old or above	178
By employment type	
Full-time	449
Part-time	29
By geographical region	
Hong Kong and Mainland China	450
Grenada	19
Others (including Japan)	9

During the Reporting Period, the overall employee turnover rate was 36%. The breakdown of turnover rate was as follows:

	Percentage (%)
By gender	
Male	32%
Female	40%
By age group	
30 years old or below	64%
31-50 years old	35%
51 years old or above	27%
By geographical region	
Hong Kong and Mainland China	36%
Grenada	21%
Others (including Japan)	89%

During the Reporting Period, the Group did not have significant issues relating to violations in this respect, including but not limited to the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Labour Standards Law in Japan.

RECRUITMENT, PROMOTION AND EQUAL OPPORTUNITY

The Group has regular reviews for the demand and requirements for human resources with each business function head in order to secure the sufficient staff members for the positions required and to keep the normal business operations and development. In addition, we have implemented a standardised recruitment system with high transparency to ensure the righteousness, openness and fairness upheld throughout the recruitment and employment processes. When considering the opportunity for promotion of a position, the principle of "appropriateness", their job performance evaluation, experiences and capabilities of the potential are considered as conditions for staff promotion.

WORK-LIFE BALANCE

Employees are the most important core asset of the Group. The Group attentively takes care of the needs of employees pays close attention to employees' work and life balance. Achieving work-life balance can help enhance the overall operational efficiency of the Group. As such, the Group strictly abides by the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Article 7 of Labour Standards Law in Japan to guarantee appropriate working hours and sufficient leave days for employees.

REMUNERATION AND BENEFITS

The Group has established a set of objective and fair remuneration guidelines. In addition to wage adjustments based on the market practice and conditions, and the results of employee assessment, the Group also determines annual bonuses based on individual performance to motivate their interest and enthusiasm and share the Group's profits with its employees as a reward for their contributions to the Group. Moreover, we review and adjust the remuneration mechanism on a regular basis to provide fairer and more competitive remuneration packages.

The Group also develops its benefits policy in accordance with the Labour Law of the People's Republic of China(《中華人民共和國勞動法》), the Article 11 of Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Labour Standard Law in Japan, and observes local requirements relating to minimum wage, working hours and the overtime limit, paid statutory holidays and paid annual leave. In addition, we established the Remuneration Committee in charge of reviewing matters related to employees' benefits. The Group currently provides comprehensive benefits guarantees for all employees, including medical insurance. In order to promote the bilateral communication and interaction between employees and employer, the Group also delivers the most recent update of the Group to every employee in a timely manner via survey and listens to the employees' opinions and advices actively, taking corresponding measures swiftly on issues which employees care about and protecting the interest of our employees.

COMPENSATION, TERMINATION OF EMPLOYMENT AND RETIREMENT

The Group initiates compensation and retirement procedures, including relevant provisions on indemnification and compensation and the planning of retirement arrangements, in accordance with the Article 89 of Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, Labour Standards Law in Japan and other relevant laws and regulations.

ANTI-DISCRIMINATION

We strictly follow anti-discrimination policies and will not tolerate harassment of any kind. When recruiting and promoting employees, we will only consider individual work experience and performance. We provide our employees with fair recruitment, compensation, training, transfer and promotion opportunities regardless of their race, gender, age or religious, so as to ensure that fair and equal opportunities are offered to all job applicants. We strive to create a working environment with care, endurance, fairness with no discrimination.

B2. Health and Safety

The Group fully recognises the importance of occupational health and safety to the recycling industry. Therefore, we strive to create the best working environment for our valued employees. We have advocated and upheld the idea of "Safety First" and strived in achieving the goal of zero industrial accident. We have formulated a set of suitable safety management plan in accordance with the laws and regulations, to reduce and control potential occupational safety and health hazards in business operations. The Group strictly implements the legislative requirements on occupational health and safety at its operating locations to avoid any injuries of employees at work.

During the Reporting Period, the Group record 2 lost-days related to work injuries. The Group did not record any work-related fatalities occurred during the Reporting Period, neither in the financial years ended 31 December 2021 nor 31 December 2020.

During the Reporting Period, the Group did not have significant issues relating to violations in this respect, including but not limited to Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases of People's Republic of China (《中華人民共和國職業病防治法》) and Industrial Safety and Health Act in Japan.

OCCUPATIONAL HEALTH AND SAFETY

In order to effectively review our occupational health and safety performance, the Group sets up dedicated departments for coordinating and arranging safety checks for all operating facilities in accordance with Occupational Health and Safety Policies and regular reviews are held at meetings to examine the Group's occupational health and safety performance. Any employee being found of a mis-operation or risky operation will be immediately warned. At the same time, corrective and preventive measures will be adopted to manage the risks identified for assuring the quality and implementation of the safety management measures, so as to reduce unsafe behaviours of on-site personnel and accidents.

WORKPLACE SAFETY MANAGEMENT

The Group's office and Recycling Yard are equipped with dust removal, noise elimination, gas protection and other equipment, with standards in place for dangerous goods identification marks and for the proper use and storage of inflammable and explosive materials in order to minimise potential harm to the health of employees. To further enhance the safety of the Group's workplaces, we have set up first aid kits, fire extinguishers and exit signs at all operating locations and reminded our employees of the need to keep the passage or escapes clean and clear at all times. It is forbidden to place too many miscellaneous items in the office to ensure a rapid and safe evacuation in case of emergency.

PERSONAL PROTECTIVE EQUIPMENT

The Group is committed to providing employees with a legitimate, safe and dignified working environment. Apart from displaying notice or label, we also provide frontline employees with personal protective equipment such as dust masks, noise reduction earplugs and emergency medicines for occasional needs. Meanwhile, employees are arranged to attend safety training courses to raise their awareness of workplace safety and to ensure the efficiency of the personal protective equipment for protecting our employees.

WORKPLACE HYGIENE

The Group has advised employees to maintain cleanliness in the workplace. We set up designated areas in offices and plant areas to collect wastes discarded by our employees. Hygiene in public areas is regularly managed by dedicated departments. Regular cleaning of air conditioning systems and carpets in office areas are also arranged to maintain hygiene in the workplace.

EMPLOYEE WORK SAFETY TRAINING

We actively promote the culture of workplace safety. The Group provides employees with adequate training on occupational health to keep up with employees' awareness against workplace health and safety, in order to ensure the safe operation of equipment, the Group has developed appropriate training sessions, mainly covering the correct use of protective equipment, knowledge and cases of safety production and occupational health, and safe operation of positions or equipment. Moreover, we share all the latest information and news of occupational health and safety with all our employees.

INCIDENT RESPONSE PLAN

To prevent possible accidents and potential risks due to emergencies like fire and power failure, the Group has established a set of stringent measures and practice fire drills from time to time. All onsite workers are required to be aware of the emergency procedures, such as the proper use of personal protective equipment and rescue facility.

STRESS MANAGEMENT

The Group has complaint and confidential feedback channels in place for all employees, allowing them to express any views or concerns to the department heads or executives at the higher rank.

PREVENTATIVE MEASURES ON COVID-19

In response to the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic, the Group has taken certain actions to strengthen the health and safety precautionary measures in both our offices and construction sites to ensure the health of our employees and workers. The Group has established two sets of workplace health and safety plan with regards to COVID-19 separately for office and construction site employees. In addition, the Group has conducted a thorough hazard assessment of the workplace to identify potential workplace hazards that could increase the risks for COVID-19 transmission, which includes all employees, including management staff, utility employees, relief employees, etc.

B3. Development and Training

During the Reporting Period, the Group's number of employees received training and their training hours were as follows:

	Percentage of employee trained (%)	Average training hours per trained employee
By gender		
Male	53%	6.89
Female	33%	5.66
By employment type		
Senior management	61%	6.65
Middle management	55%	4.94
Other employees	37%	6.84

CAREER DEVELOPMENT

To maintain the Group's competitiveness in the world of rapid development of technology, it is important that we keep our skills and knowledge up-to-date. Therefore, we promote the spirit of life-long learning and cultivating a continuous learning culture. To further improve team values and professionalism of staff, we develop career development training for staff and encourage them to actively participate in various training workshops and courses.

PRE-EMPLOYMENT TRAINING

In order to assist our newly recruited employees to adapt to the Group's work culture and environment, we provide pre-employment training for them, including information about our corporate culture, employee handbook, job skills and relevant safety knowledge, with an aim of enhancing their understanding of the Group, their position and working environment.

VOCATIONAL SKILLS TRAINING

We are dedicated to building a professional technical team, so we have arranged training courses for our employees to meet the needs of different jobs and ranks to improve individual profession knowledge skills and capabilities. For some internal key talents, we have developed career paths and defined career ladders for key positions, sponsored our staff to attend external training courses, such as professional qualification training, workshops or seminars, in order to strengthen overall professionalism and individual caliber of employees, and help competent employees to pursue excellence and grow together with the Group.

B4. Labour Standards

PREVENTION OF CHILD AND FORCED LABOUR

The Group prohibits the recruitment of child labour and has zero tolerance of forced labour. In accordance with the Regulations of the People's Republic of China on Special Protection of Juvenile Workers (《女職工和未成年工特殊勞動保護》), Labour Standards Law in Japan and relevant foreign laws and regulations, the Group reviews the valid identity certificates of job applicants in the employee recruitment, onboarding approval and onboarding registration process. If violations are involved, they will be dealt with in the light of circumstances.

During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations that would have a significant impact on the Group, including but not limited to Labour Contract Law of the People's Republic of China and Article 56 of Labour Standard Law in Japan.

In the process of employment, the Group, in accordance with the above relevant laws, respects the right and freedom of every employee to choose jobs, including freedom of employment, freedom to resign, freedom to work overtime and freedom of movement. The Group strictly prohibits any forms of forced labour, including contract labour and bonded labour, and never forces employees to work overtime. Employees have the right to form and join trade unions to safeguard their personal rights.

B5. Supply Chain Management

The steady development of the Group's business is dependent on the reliable support of its suppliers. Suppliers are one of the important stakeholders in the Group's business value chain, and our relationship with them is close and inseparable. The Group is also fully committed to building a good partnership with our suppliers. To promote the business and cooperation with suppliers, the Group stipulates internal rules to regulate the process of procurement, explains the Group's principles and expectations to our partners, and requires suppliers to comply with all laws, international conventions, contractual requirements, and all codes of the Group. We have also established effective mechanisms to ensure that both parties will strictly act in accordance with laws and regulations.

SUPPLIER APPOINTMENT

In terms of material procurement, supplier management, and the selection and evaluation of administrative supplies and services suppliers, we employ fair, impartial and open evaluation criteria. We also require suppliers to declare their interests to avoid conflicts of interest or tunnelling of interests. The Group has set up a series of evaluation indicators for supplier selection, including supplier's past experience, price, reputation, professional qualifications, ethics, environmental protection and corporate social responsibility performance. To ensure that the suppliers' performance continues to meet the Group's requirements, we assess their performance over the past year through an annual assessment to review whether to continue cooperation with them.

SUSTAINABLE SUPPLY CHAIN

The Group puts great emphasis on the sustainability of value chain. While fulfilling our environmental and social responsibilities, we also expect our suppliers to operate in the same responsible manner. Accordingly, we incorporate sustainability considerations into our procurement and outsourcing process and require suppliers to meet basic standards, to lower environment and social risk in supply chain. For example, all suppliers are required to abide by the following sustainability principles, and to ensure that their regular and temporary employees, suppliers and sub-suppliers confirm and comply with the requirements of this these principles.

The Group continues to pay attention to the policies implemented by the local governments where it operates. If the Group finds information on environmentally friendly products or services published by the official authorities, the Group will seriously consider adopting the recommendations of the official authorities to procure goods and services that have less impact on the environment during the product cycle.

GREEN OPERATION

To reduce the emissions and energy consumption due to transportation, the Group is encouraged to give priority to products of local suppliers where hardware and software conditions so permit, with an aim to prevent additional carbon emissions due to long distance of transporting goods. When local suppliers are selected, we also adopt a centralised approach to arrange as few deliveries as possible, and optimise delivery plans to reduce exhaust emissions during transportation. Meanwhile, when it is necessary to acquire or upgrade operating equipment, we will make reference to the information on the energy label to select energy-efficient models as far as possible in order to achieve better energy management efficiency.

During the Reporting Period, the breakdown of supplier by geographical regions were as follows:

Total number of suppliers by region	Number of Suppliers in FY 2022
Hong Kong	504
Asia region other than Hong Kong	85
Others (including Europe and America)	88

B6. Product Responsibility

The Group stresses heavily on the performance of its products, and has therefore formulated an array of policies to facilitate better quality products and services. The Group carefully manage and monitor the quality of our products. All products we sell are properly labelled to help us obtain the data through our tracking system. If there are quality issues with the products sold by the Group, the Group can record through the tracking system, which enables us to immediately identify the source of defects in the production process, identify the defective batch of products and recall the products as needed to rectify the issues and prevent recurrence in the future.

During the Reporting Period, the Group does not record any product recall and did not have significant issues relating to violations in this respect, including but not limited to Law of the People's Republic of China on Protection of Consumer Rights and Interests of the People's Republic of China (《中華人民共和國消費者權益保護法》), and Product Liability Act in Japan.

QUALITY MANAGEMENT

The Group values the spirit of contract. The specifications of all products and services will be clearly specified in the contract to ensure that the customer understands details of the contract and to protect the interests of the buyer and the seller. We seek to provide the highest standards of products and services throughout our operations, which involve the application of proprietary systems and process to ensure compliance with local and international standards. In order to strengthen customer confidence in our products, the Group has established a quality inspection and evaluation team for incoming and outgoing products, to closely monitor the quality of products prior to delivery in accordance with the corresponding inspection procedures.

FAIR PROMOTION

The Group adheres to the principle of fair promotion to ensure that product information on the Group's publicity website and other promotional materials is true and accurate, and does not contain any false, exaggerated or excessive statements. In accordance with the Advertising Law of the People's Republic of China and Act Against Unjustifiable Premiums and Misleading Representations in Japan, the Group requires sales staff to disseminate information from the Group's recognised product strengths when promoting products, and avoid negative representations involving rivals or competing products to prevent customers from being misled when purchasing.

CUSTOMER DATA PROTECTION

According to the importance of protecting customer information, the Group strictly manages and keeps confidential information and documents related to customers' intellectual property rights in accordance with the requirements of the Confidentiality Measures and the Employee Handbook issued within the Group. Without permission, employees are not allowed to copy, privately store or take away such information and documents from the Group.

INTELLECTUAL PROPERTY RIGHTS

The Group endeavours to protect intellectual property rights. Intellectual properties and technical specifications of the Group and customers are protected and managed by a designated department. Employees shall not copy or disclose any information, including but not limited to designs, techniques and trade information, to third parties without the Group's consent.

AFTER-SALE SERVICE

The Group is committed to providing efficient and courteous after-sale service to its customers, and has established e-mail boxes and hotlines as channels to maintain communication with customers and assist in answering any customer enquiries, resolving detail contract problems or other follow-up matters.

During the Reporting Period, the Group didn't received any product-related complaints nor service-related complaints. The Group has designated staff to handle all complaints received promptly and review our procedures for any improvement to prevent recurring complaints.

B7. Anti-corruption

The Group is committed to building a corporate culture of integrity and business ethics. We have the standards of conduct to guide our employees and partners, which provide rules and guidelines for dealing with gifts, treats, transactions, financial management, etc.

During the Reporting Period, the Group did not have significant issues and concluded legal cases relating to violations in this respect, including but not limited to Company Law of the People's Republic of China (《中華人民共和國公司法》) and Unfair Competition Prevention Act in Japan.

The Group has followed and complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, including maintaining good corporate governance practices. To take forward a corporate culture of integrity and anti-corruption, we have established the anti-corruption practices and the benefit declaration process in our employee handbook. If any employee is involved in any corruption and fraud conduct, we will impose penalties based on the influence and consequence of such conduct according to the corporate rules. If the behaviour violates the law, it will be handled by the judicial authority according to law with zero tolerance.

ANTI-CORRUPTION PRACTICES

The Group has established Anti-corruption policy to avoid happening of corruption. No employee or director may seek or receive any preferential benefits, including money, gifts, loans, remuneration, work, contracts, services and sponsorship, especially when there is a conflict of interest between such benefits and the Group's business dealings.

Anti-corruption training helps to encourage a clean and honest working style, so that employees can be self-disciplined and dedicated. During the Reporting Period, the Group arranged 5 sections of training for both directors and employees, with a total of 17 training hours of anti-corruption training for each participant.

CONFLICTS OF INTEREST

To avoid any conflict of interest during business transactions, all major transactions involving conflicts of interest within the Group must be disclosed to the Board according to the Policy on Declaration of Conflict of Interest, which can be found in the Employee Handbook. Board members involved in a conflict of interest may not vote on any resolution on such transactions.

APPROVAL OF SERVICE CONTRACTS

To maintain close monitoring on potential corruption, all the important service contracts are subject to approval by the Board. Approved service contracts shall be reviewed by the Nomination Committee, which consists of one executive director and two independent non-executive directors.

WHISTLE-BLOWING MECHANISM

To firmly reject the occurrence of corruption, frauds, etc., the Group has established whistle-blowing policy for employees and other stakeholders to report any suspected improper or illegal activities through any anonymous ways such as by mail, email, telephone, etc. The Group will investigate and handle the case once internal corruption related information is received. The investigations are administered on a confidential basis and there will be no reprisal against employees.

B8. Community Investment

ACTIVE COMMUNITY PARTICIPATION

As a responsible corporate citizen, the Group is well aware that its responsibility is not only to contribute directly to the economy, but also to create positive impacts for the society as a whole through our business operations and public welfare programs. In the past years, the Group actively participated in community activities to give back to the society. The Group is committed to promoting charity, helping the disadvantaged, and supporting academic and scientific research for the well-being of the next generation in the principle of "From the Community, For the Community". The Group has also set up a volunteer team that gathers staff to participate in public welfare activities such as visiting the elderly living alone, supporting needy families and helping students in need. In the future, the Group will continue to focus its community investment efforts on scientific research and development, national development and poverty alleviation to give back to the society.

The Group's exceptional efforts in community investment has been receiving widespread recognition. During the Reporting Period, the Group has won the "Guangdong Province Guanchai Career Contribution Award", and was commended by the Guangdong Provincial Party Committee and Provincial Government, in recognition of its commitment to being an outstanding society contributor. In addition, the Group, Dr. Lin Xiaohui (the Group's Chairman of the Board of Directors), and Mr. Lin Sen (Vice Chairman of Realord Asia Pacific Securities Limited) received "The Outstanding Contribution Award in Fighting the COVID-19 Epidemic in Futian District", together with a thank you letter, from Shenzhen Futian District Federation of Industry and Commerce. The award recognised their timely help at the critical moment of fighting against COVID-19 epidemic, and active donation to support the prevention and control work, which fully demonstrates the corporate responsibility and dedication. Furthermore, the Group, and Realord Asia Pacific Securities Limited are honoured to receive the "Outstanding Diversified Integrated Enterprise 2021" and "Outstanding Securities Services Development "awards respectively in the Quamnet Outstanding Enterprise Awards, which recognises enterprises for their determination and resilience to operate in the face of challenging business environment, and seize opportunities to achieve long-term and stable development. In addition, Sincere was also acknowledged as "Caring Company" by the Hong Kong Council of Social Service's Caring Company Scheme, in recognition of its efforts in facilitating strategic partnerships among business and social service partners, and its dedication in supporting the communities.

During the Reporting Period, the Group has continued its philanthropic efforts by donating HK$10,000 to Shenzhen Nanshan Charity Federation (南山區慈善會). The Group has also donated HK$30,700 to Shenzhen Futian Overseas Friendship Association(深圳市福田區海外聯誼會) in supporting the organisation of social welfare events. In addition, Sincere has donated HK$100,000 to demonstrate its dedication in community investment. These contributions signify the Group's dedication to making a positive impact on the community.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emission Control
KPI A1.1	The types of emissions and respective emissions data.	Emission Control – Air and Exhaust Gas Emissions
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	Emission Control – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Waste Management – Hazardous Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management – Non-Hazardous Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emission Control – Air and Exhaust Gas Emissions; Emission Control – GHG Emissions; Waste Management – Hazardous Waste Management; Waste Management – Non-Hazardous Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Hazardous Waste Management; Non-Hazardous Waste Management

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Packaging Material (Not applicable – Explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child and Forced Labour

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Grant Thornton
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To the members of Realord Group Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 99 to 267, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of its balance to the consolidated financial statements overall as a whole, combined with management's judgements and estimates in determining the fair values of the investment properties. As at 31 December 2022, the Group's investment properties amounted to HK$8,591,359,000 and represented 43% of the Group's total assets. As disclosed in note 20 to the consolidated financial statements, net gain on fair value changes of investment properties of HK$997,731,000 was recognised in profit or loss. All of the Group's investment properties as at 31 December 2022 and, at the date of transfer to properties under development and property, plant and equipment, are stated at their fair values based on valuations performed by a firm of independent qualified professional valuers ("Valuer"), in accordance with the accounting policy stated in notes 3.15. The valuations are dependent on certain significant unobservable inputs, including price/gross development value per square feet/bay/square metre, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 20 to the consolidated financial statements.	Our audit procedures in relation to the valuation of investment properties included the followings: • evaluated the competence, capabilities and objectivity of the Valuer; • obtained an understanding from the Valuer about the valuation methodologies, significant unobservable inputs and critical judgements and estimates on key inputs and data used in the valuations; • assessed the reasonableness of the valuation methodologies used by the Valuer with the assistance from our valuation expert; • assessed the reasonableness of significant unobservable inputs used by the Valuer, with the assistance from our valuation expert, by comparing them to publicly available information of similar comparable properties; • evaluated the reasonableness of adjusting factors on the conditions and locations of the properties made by the Valuer, with the assistance from our valuation expert, by comparing them with historical adjusting factors applied, comparability and other market factors for similar properties; • obtained government documents, supporting evidences and legal opinion for the development of the properties; and • performed site visit to the major investment properties.

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Net realisable value of properties under development	
We identified the net realisable value of properties under development as a key audit matter due to the significance of its balance to the consolidated financial statements overall as a whole, combined with management's judgements and estimates in determining the net realisable value of properties under development. As at 31 December 2022, the Group's properties under development amounted to HK$5,535,564,000 and represented 28% of the Group's total assets. As disclosed in note 26 to the consolidated financial statements, provision for properties under development of HK$100,247,000 was recognised in profit or loss. Management assessed whether any write-down of the properties under development was being recognised in accordance with the accounting policy stated in note 3.20 to the consolidated financial statements. The net realisable value of these properties has been determined by management with assistance from Valuers with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale.	Our audit procedures in relation to the net realisable value of properties under development included the followings: • obtained an understanding of the progress of the properties under development from management; • evaluated the competence, capabilities and objectivity of the Valuers; • obtained an understanding from the Valuers about the valuation methodology and key assumptions used in the valuation; • assessed the reasonableness of the valuation methodology used by the Valuers with the assistance from our valuation experts; • assessed the reasonableness of underlying data and key assumptions used by the Valuers, including the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale, with the assistance from our valuation experts by comparing them to publicly available information of similar comparable properties; • obtained government documents and supporting evidence for the development of the properties; and • performed site visit to the properties under development.

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of proposed development project	
We identified the impairment assessment of proposed development project as a key audit matter due to the significance of its balance to the consolidated financial statements overall as a whole, combined with management's judgements and estimates in determining the recoverable amount of proposed development project. As at 31 December 2022, the Group's proposed development project amounted to HK$2,016,712,000 and represented 10% of the Group's total assets. Management assessed whether any impairment of the proposed development project was being recognised in accordance with the accounting policy stated in note 3.17 to the consolidated financial statements. The recoverable amount of cash-generating unit has been determined by management with assistance from a Valuer based on value in use calculation. The value in use calculation uses cash flow projection based on financial budgets approved by management which involves the use of management's judgements and estimates such as determining discount rate, price per square metre/bay, construction cost and gross margin.	Our audit procedures in relation to the impairment assessment of proposed development project included the followings: • obtained an understanding of the progress of the proposed development project from management; • evaluated the competence, capabilities and objectivity of the Valuer; • obtained an understanding from the Valuer about the valuation methodology and key assumptions used in the value in use calculation; • assessed the reasonableness of underlying data and key assumptions used by the Valuer, including the discount rate, price per square metre/bay, construction cost and gross margin, with the assistance from our valuation expert, by comparing them to public available information of comparable companies in the same industry and similar comparable properties; • obtained government documents and supporting evidence for the status of the proposed development project; and • performed site visit to the proposed development project.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

- conclude on the appropriateness of the Company's 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.

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants

11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

28 March 2023

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5		
– Goods and services		**1,126,123**	1,147,736
– Rental income		**14,924**	10,328
– Interest income		**57,763**	37,015
Total revenues		**1,198,810**	1,195,079
Cost of sales		**(911,412)**	(922,294)
Gross profit		**287,398**	272,785
Other income	7	**33,379**	53,310
Other gains/(losses), net	8	**341,862**	(117,619)
Provision for properties under development	26	**(100,247)**	–
Impairment losses, net	9	**(47,537)**	(3,646)
Gain on fair value changes of investment properties, net	20	**997,731**	1,265,256
Selling and distribution expenses		**(100,010)**	(69,442)
Administrative expenses		**(313,623)**	(276,371)
Finance costs	10	**(727,849)**	(695,806)
Profit before income tax		**371,104**	428,467
Income tax credit/(expenses)	11	**234,058**	(312,533)
Profit for the year	12	**605,162**	115,934
Profit/(Loss) for the year attributable to:			
– Owners of the Company		**114,892**	122,197
– Non-controlling interests		**490,270**	(6,263)
		605,162	115,934
Earnings per share	17		
Basic (HK cents)		**7.98**	8.49
Diluted (HK cents)		**7.96**	8.47

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
Profit for the year		**605,162**	115,934
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gains on property, plant and equipment revaluation, net		**1,054**	9,054
Income tax relating to (gains)/losses on property, plant and equipment revaluation	42	**(785)**	258
Actuarial gain on a defined benefit plan	24(e)	**276**	4,524
Changes in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		**234**	828
Changes in fair value of assets classified as held for sale		**970**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(711,245)**	262,271
Other comprehensive (expense)/income for the year, net of income tax		**(709,496)**	276,935
Total comprehensive (expense)/income for the year		**(104,334)**	392,869
Total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		**(524,714)**	368,069
– Non-controlling interests		**420,380**	24,800
		(104,334)	392,869

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	18	**705,083**	688,920
Prepaid lease payments	19	**4,425**	5,023
Investment properties	20	**8,591,359**	10,628,833
Goodwill	21	**320,937**	320,937
Other intangible assets	22	**53,758**	50,206
Equity instruments at FVTOCI	23	**4,041**	12,978
Prepayments, deposits and other receivables	28	**205,922**	181,138
Pension scheme assets	24	**23,160**	23,101
		9,908,685	11,911,136
Current assets			
Inventories	25	**47,161**	98,829
Properties under development	26	**5,535,564**	3,229,062
Trade receivables	27	**570,604**	355,226
Receivables arising from securities broking	27	**518,400**	290,443
Loan receivables	27	**409,761**	190,437
Prepayments, deposits and other receivables	28	**343,906**	405,167
Proposed development project	29	**2,016,712**	1,676,166
Financial assets at fair value through profit or loss ("FVTPL")	30	**71,229**	81,206
Amounts due from related parties	40	**1,703**	1,598
Tax recoverable		**5,167**	5,836
Cash held on behalf of clients	31	**126,742**	143,835
Restricted bank balances and deposits		**142,143**	102,153
Bank balances and cash	32	**171,900**	229,645
		9,960,992	6,809,603
Asset classified as held for sale	33	**–**	26,646
		9,960,992	6,836,249
Current liabilities			
Trade payables	34	**97,100**	54,926
Payables arising from securities broking	34	**129,102**	148,176
Contract liabilities	35	**50,936**	13,183
Insurance contracts liabilities	36	**1,154**	1,174
Other payables and accruals	37	**383,685**	172,725
Bank borrowings	38	**5,366,919**	511,206
Other borrowings	39	**238,891**	2,203
Amounts due to related parties	40	**453,496**	109,238
Lease liabilities	41	**69,466**	62,294
Tax payable		**8,311**	7,502
		6,799,060	1,082,627
Net current assets		**3,161,932**	5,753,622
Total assets less current liabilities		**13,070,617**	17,664,758

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Equity			
Share capital	44	**144,071**	143,971
Reserves		**3,468,397**	3,989,101
Equity attributable to owners of the Company		**3,612,468**	4,133,072
Non-controlling interests		**1,552,587**	1,132,207
		5,165,055	5,265,279
Non-current liabilities			
Other payables and accruals	37	**7,120**	4,663
Loans from ultimate holding company	43	**2,394,760**	1,127,196
Bank borrowings	38	**4,543,885**	9,967,718
Other borrowings	39	**548**	537
Lease liabilities	41	**46,450**	43,043
Deferred tax liabilities	42	**912,799**	1,256,322
		7,905,562	12,399,479
		13,070,617	17,664,758

Lin Xiaohui
Director

Su Jiaohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital HK$'000 (note 44)	Share premium HK$'000	Share options reserve HK$'000 (note 45)	Statutory reserve HK$'000 (note (a))	Capital reserve HK$'000 (note (b))	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2021	143,821	1,918,627	15,054	2,949	586,594	31,524	–	(291,159)	1,098,053	3,505,463	906,111	4,411,574
Profit/(loss) for the year	–	–	–	–	–	–	–	–	122,197	122,197	(6,263)	115,934
Other comprehensive income for the year:												
Gains on property, plant and equipment revaluation, net	–	–	–	–	–	7,561	–	–	–	7,561	1,493	9,054
Income tax relating to loss on property, plant and equipment revaluation	–	–	–	–	–	158	–	–	–	158	100	258
Actuarial gain on a defined benefit plan	–	–	–	–	–	–	–	–	3,417	3,417	1,107	4,524
Changes in fair value of equity investments at FVTOCI	–	–	–	–	–	–	621	–	–	621	207	828
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	234,115	–	234,115	28,156	262,271
Total comprehensive income for the year	–	–	–	–	–	7,719	621	234,115	125,614	368,069	24,800	392,869
Exercise of share options	150	6,015	(2,895)	–	–	–	–	–	2,895	6,165	–	6,165
Forfeiture of share options	–	–	(3,281)	–	–	–	–	–	3,281	–	–	–
Acquisition of subsidiaries (note 46)	–	–	–	–	–	–	–	–	–	–	94,736	94,736
Partial disposal of equity interest in subsidiaries without loss of control (note 46)	–	–	–	–	24,482	–	–	–	–	24,482	9,371	33,853
Capital contribution from controlling shareholder (note 47)	–	–	–	–	228,893	–	–	–	–	228,893	97,189	326,082
Transactions with owners	150	6,015	(6,176)	–	253,375	–	–	–	6,176	259,540	201,296	460,836
As at 31 December 2021	143,971	1,924,642	8,878	2,949	839,969	39,243	621	(57,044)	1,229,843	4,133,072	1,132,207	5,265,279

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital HK$'000 (note 44)	Share premium HK$'000	Share options reserve HK$'000 (note 45)	Statutory reserve HK$'000 (note (a))	Capital reserve HK$'000 (note (b))	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2022	143,971	1,924,642	8,878	2,949	839,969	39,243	621	(57,044)	1,229,843	4,133,072	1,132,207	5,265,279
Profit for the year	-	-	-	-	-	-	-	-	114,892	114,892	490,270	605,162
Other comprehensive income/(expense) for the year:												
Gain on property, plant and equipment revaluation, net	-	-	-	-	-	874	-	-	-	874	180	1,054
Income tax relating to gain on property, plant and equipment revaluation	-	-	-	-	-	(648)	-	-	-	(648)	(137)	(785)
Actuarial gain on a defined benefit plan	-	-	-	-	-	-	-	-	264	264	12	276
Changes in fair value of equity investments at FVTOCI	-	-	-	-	-	-	176	-	-	176	58	234
Changes in fair value of assets classified as held for sale	-	-	-	-	-	-	728	-	-	728	242	970
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(641,000)	-	(641,000)	(70,245)	(711,245)
Total comprehensive income/(expenses) for the year	-	-	-	-	-	226	904	(641,000)	115,156	(524,714)	420,380	(104,334)
Exercise of share options	100	4,010	(1,930)	-	-	-	-	-	1,930	4,110	-	4,110
Release of reserve upon disposal of asset classified as held for sale (note 33)	-	-	-	-	-	-	(1,333)	-	1,333	-	-	-
Transactions with owners	100	4,010	(1,930)	-	-	-	(1,333)	-	3,263	4,110	-	4,110
As at 31 December 2022	144,071	1,928,652	6,948	2,949	839,969	39,469	192	(698,044)	1,348,262	3,612,468	1,552,587	5,165,055

Notes:

(a) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after income tax to the statutory reserve until the reserve reaches 50% of the corresponding registered capital. Transfer to reserve must be made before the distribution of dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(b) Capital reserve of HK$839,969,000 represents the followings:

(i) the deemed contribution by Dr. Lin Xiaohui ("Dr. Lin") and Madam Su Jiaohua ("Madam Su") through Manureen Holdings Limited ("Manureen Holdings") as the controlling shareholders of Realord Group Holdings Limited (the "Company", together with its subsidiaries, the "Group"), in the acquisition of assets through acquisition of subsidiaries by the Company from them during the year ended 31 December 2018. The deemed contribution by the controlling shareholders represents the difference between the net assets acquired (net of settlement of outstanding debts) of HK$7,909,770,000 and the fair value of total consideration of HK$7,323,176,000;

(ii) the gain on disposal recognised within the equity of HK$24,482,000 arisen from the partial disposal of equity interest in subsidiaries without loss of control during the year ended 31 December 2021 (note 46); and

(iii) the net assets acquired of HK$228,893,000, net of non-controlling interests of HK$97,189,000, arisen from the capital contribution from controlling shareholder during the year ended 31 December 2021 (note 46).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Profit before income tax		**371,104**	428,467
Adjustments for:			
Amortisation for other intangible assets		**10,972**	3,854
Depreciation			
– Owned assets		**34,945**	36,688
– Right-of-use assets		**78,283**	54,545
– Prepaid lease payments		**125**	128
Net foreign exchange (gains)/losses		**(368,443)**	26,975
Finance costs	10	**727,849**	695,806
Bank interest income	7	**(1,395)**	(15,930)
Imputed interest income on gift receivable from Win Dynamic Limited ("Win Dynamic")	7	**(16,113)**	(9,314)
Dividend income	7	**(2,887)**	(4,074)
Interest income from margin financing	5	**(31,349)**	(19,269)
Interest income on credit-impaired loan receivables	7	**(6,083)**	(7,818)
Claim from legal case	7	**–**	(13,888)
Gain on fair value changes of investment properties, net	20	**(997,731)**	(1,265,256)
Impairment losses, net	9	**47,537**	3,646
Impairment of property, plant and equipment		**–**	1,992
Provision on properties under development		**100,247**	–
Recovery of receivables arising from securities broking previously written-off		**(1,364)**	–
Loss/(Gain) on disposal of property, plant and equipment	8	**710**	(394)
Revaluation deficit/(surplus) on property, plant and equipment	8	**8,145**	(23,396)
Unrealised fair value loss on financial assets at FVTPL	8	**8,721**	3,025
Covid-19-related rent concessions		**(720)**	(5,237)
Operating cash flows before movements in working capital		**(37,447)**	(109,450)
Decrease/(Increase) in inventories		**50,809**	(19,673)
(Increase)/Decrease in trade receivables		**(246,005)**	86,250
Increase in receivables arising from securities broking		**(227,812)**	(125,202)
Increase in loan receivables		**(251,926)**	(29,320)
Decrease in prepayments, deposits and other receivables		**39,193**	161,380
Increase in proposed development project		**(510,229)**	–
Increase in properties under development		**(483,634)**	–
Decrease/(Increase) in financial assets at FVTPL		**1,256**	(58,492)
Increase in cash held on behalf of clients		**17,093**	(24,297)
Decrease in pension scheme assets		**217**	1,008
Increase/(Decrease) in trade payables		**44,417**	(12,667)
(Decrease)/Increase in payables arising from securities broking		**(19,074)**	8,534
Increase/(Decrease) in contract liabilities		**37,753**	(31,861)
Increase/(Decrease) in other payables and accruals		**246,965**	(58,575)
Decrease in insurance contracts liabilities		**(20)**	(119)
Cash used in operations		**(1,338,444)**	(212,484)
Interest received		**31,349**	19,269
Income taxes paid		**(7,187)**	(5,224)
Net cash used in operating activities		**(1,314,282)**	(198,439)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Investing activities			
Acquisition of subsidiaries	46	**(1,406)**	(298,828)
Capital contribution from controlling shareholder	47	**–**	1,146
Purchase of property, plant and equipment		**(15,444)**	(11,405)
Additions to investment properties	20	**(22,142)**	(42,177)
Proceeds from disposal of investment properties		**23,090**	–
Proceeds from disposal of equity investment		**36,406**	–
Proceeds from disposal of property, plant and equipment		**898**	873
Proceeds from repayment of other receivables from a local government authority		**–**	20,788
Proceeds from claim of legal case		**–**	42,843
Bank interest received		**1,395**	15,930
Dividend received		**2,887**	4,074
Advance to related parties		**(105)**	–
Increase in restricted bank balances and deposits		**(42,044)**	(114)
Net cash used in investing activities		**(16,465)**	(266,870)
Financing activities			
New bank borrowings raised		**934,486**	800,165
New other borrowings raised		**246,697**	–
Loans from ultimate holding company		**1,302,964**	542,353
Advance from related parties		**344,258**	53,317
Repayment of other borrowings		**(10,150)**	(151,953)
Repayment of bank borrowings		**(682,423)**	(874,273)
Repayment to ultimate holding company		**(42,585)**	(186,324)
Repayment to related parties		**–**	(36,656)
Payment of lease liabilities		**(93,038)**	(77,740)
Proceeds from disposal of subsidiaries without loss of control	46	**–**	33,853
Proceeds from exercise of share options		**4,110**	6,165
Interest paid		**(726,859)**	(693,337)
Net cash from/(used in) financing activities		**1,277,460**	(584,430)
Net decrease in cash and cash equivalents		**(53,287)**	(1,049,739)
Cash and cash equivalents at the beginning of the year		**229,645**	1,268,295
Effect of changes in foreign exchange rates		**(4,458)**	11,089
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**171,900**	229,645

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Manureen Holdings, a private limited company incorporated in the British Virgin Islands ("BVI"). The ultimate shareholders of Manureen Holdings are Dr. Lin and Madam Su, who own 70% and 30% equity interests in Manureen Holdings respectively. Dr. Lin is also the chairman and an executive director of the Company and Madam Su is an executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 58.

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

In these consolidated financial statements, certain English name of the companies referred herein represent the management's best effort to translate the Chinese name of respective companies as no English name has been registered.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the board of directors on 28 March 2023.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

Going concern basis

As at 31 December 2022, the Group had net current assets of HK$3,161,932,000, in which the total current assets of HK$9,960,992,000 mainly comprised (i) properties under development and proposed development project of HK$5,535,564,000 and HK$2,016,712,000 respectively; and (ii) restricted bank balances and deposits and bank balances and cash with aggregate carrying amount of HK$314,043,000. In addition, the total current liabilities of HK$6,799,060,000, which mainly comprised bank and other borrowings of HK$5,605,810,000, as at 31 December 2022.

In view of the above, the directors of the Company have reviewed the Group's cash flows projection covering a period not less than twelve months from 31 December 2022 which have taken into account the following measures:

(a) subsequent to the end of the reporting period, the Group is in the process to sign the bank facility letters for extending the repayment date of bank borrowings with carrying amount of HK$4,105,824,000 classified under current liabilities as at 31 December 2022 for two years, and the directors of the Company conclude that there is no unforeseeable obstacle for such extension; and

(b) the continuous financial supports from Dr. Lin and ultimate holding company, which is beneficially owned by Dr. Lin.

Based on the above, in the opinion of the directors of the Company, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2022. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities, respectively and to provide for any future liabilities which might arise. The effect of these potential adjustments has not been reflected in these consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 ("HKFRS 2") *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 ("HKFRS 16") *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 ("HKAS 37") *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC) Interpretation 21 ("HK(IFRIC)-Int") *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at the end of subsequent reporting periods and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at the end of subsequent reporting periods, with the corresponding gain or loss being recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit ("CGU") (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss on goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

3.5 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Non-current assets held for sale (Continued)

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 ("HKFRS 9") *Financial Instruments* which continue to be measured in accordance with the accounting policies as set out in respective sections.

3.6 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue from contracts with customers (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue from contracts with customers (Continued)

Contract costs (Continued)

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

For over time revenue recognition, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Dividend income is recognised when the right to receive payment is established.

The Group's accounting policy for rental income is described in note 3.7.

3.7 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists. Those right-of-use assets meeting the definition of investment properties or relating to a class of property, plant and equipment to which revaluation model was applied are subsequently measured at fair value in accordance with the Group's accounting policies.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

***Definition of a lease and the Group as a lessee** (Continued)*

Measurement and recognition of leases as a lessee (Continued)

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise of small items of office equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "property, plant and equipment". Right-of-use assets that meet the definition of investment property are presented within "investment properties". The prepaid lease payments for leasehold land are presented as "prepaid lease payments" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Prepaid lease payments

Prepaid lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.9 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as "other payables and accruals" in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Employee benefits

Retirement benefit costs

The Group participates in defined contribution retirement schemes for its employees in Hong Kong, the PRC, Japan and Grenada. The Mandatory Provident Fund Schemes (the "MPF Schemes") participated by the Group in Hong Kong are registered under and complied with the Mandatory Provident Fund Schemes Ordinance. The assets of these schemes are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, capped at HK$1,500 per month, which contribution is matched by employees. The employees of the Group's subsidiaries in the PRC, Japan and Grenada are members of the state-managed retirement benefit schemes operated by the respective government. The Company's subsidiaries in the PRC, Japan and Grenada are required to contribute a certain percentage of their employees' payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. The Group has no legal constructive obligations to pay further contributions.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

In addition, the Group also operates a funded final salary defined benefit pension scheme (the "Pension Scheme") for those employees of certain subsidiaries who are eligible to participate in the Pension Scheme.

An actuarial estimate is made annually by a firm of independent qualified professional actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Pension Scheme earned by the employees at the end of the reporting period. The assets contributed by the Group to the Pension Scheme are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the end of the reporting period.

Remeasurements arising from defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Employee benefits (Continued)

Retirement benefit costs (Continued)

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "administrative expenses" in profit or loss.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Employee benefits (Continued)

Retirement benefit costs (Continued)

Share-based payment arrangements (Continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 3.7) including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost or revalued amount of assets less their residual values, if any, over their estimated useful lives, using the straight-line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any revaluation increase arising from revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in assets revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the assets revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.15 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Investment properties (Continued)

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

When the use of a property changes such that it is reclassified as properties under development, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.16 Intangible assets (other than goodwill)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded as their costs).

Intangible assets acquired in a business combination with finite useful life are reported at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful life is recognised on straight-line basis over its estimated useful life. Amortisation commences when the intangible asset is available for use. The following useful lives are applied:

Trademark	5 - 10 years
Customers' relationship	2 years

Licenses acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses as described in note 3.17.

The licenses have a legal life of one year but is renewable every one year at minimal cost. The directors of the Company are of the opinion that the Group would renew the licenses continuously and has the ability to do so. Licenses have been considered to have an indefinite life because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Intangible assets (other than goodwill) (Continued)

Intangible assets acquired in a business combination (Continued)

At the end of the reporting period, the Group reviews the amortisation method of an intangible asset with finite useful life and the useful life of an intangible asset that is not being amortised to determine whether events and circumstances continue to support an indefinite useful life assessment of that asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.17 Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets (including property, plant and equipment (including right-of-use assets) and prepaid lease payments), proposed development project, intangible assets with finite useful lives, contract costs and the Company's investments in subsidiaries to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of these tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Impairment on tangible and intangible assets other than goodwill (Continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15 ("HKFRS 15") *Revenue from Contracts with Customers*, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss, unless the relevant cost is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Impairment on tangible and intangible assets other than goodwill (Continued)

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

3.18 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Bank balances for which used by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash and classified as restricted bank balances and deposits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.20 Properties under development

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are transferred to properties for sale upon completion.

3.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3.23 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses ("ECL"), to the amortised cost on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income (Continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Equity instruments designated at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, receivables arising from securities broking, loan receivables, amounts due from related parties, cash held on behalf of clients, restricted bank balances and deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of the reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, receivables arising from securities broking and loan receivables. The ECL on these assets are assessed individually for each debtor and those balances that are credit-impaired.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments and the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities (including trade payables, payables arising from securities broking, other payables and accruals, bank borrowings, other borrowings, amounts due to related parties and loans from ultimate holding company, other than lease liabilities) are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial instruments (Continued)

Financial liabilities and equity (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.24 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

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

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies: (Continued)

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

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

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

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.

3.25 Product classification - Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remaining of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

3.26 Insurance contracts liabilities

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is valued by an independent actuary. The resulting surplus or deficit is transferred to or from profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Recognition of gift receivable from Win Dynamic

As disclosed in note 49, during the year ended 31 December 2021 gift receivable from Win Dynamic of HK$150,001,000, being the fair value of the WD Proceeds (as defined in note 49) has been initially recognised by the acquisition of The Sincere Company, Limited ("Sincere") and its subsidiaries (collectively referred to as the "Sincere Group") upon the acceptance of the Offer (as defined in note 49). Management of Sincere considered that such recognition was supported by the legal advices and determined by the basis of various assumptions when estimating the timing and the ECL of gift receivable from Win Dynamic, which includes forward-looking scenarios and their likelihoods, counterparty's credit rating and probability of default and recovery rate.

As at 31 December 2022, the carrying amount of gift receivable from Win Dynamic amounted to HK$174,401,000 (2021: HK$158,870,000), net of ECL allowance of HK$1,027,000 (2021: HK$445,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.1 Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those remaining properties situated in the PRC and Hong Kong are not held under such a business model. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for certain investment properties situated in the PRC but is not rebutted for the remaining properties situated in the PRC and Hong Kong. The Group has not recognised any deferred taxes on changes in fair value of the investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. Deferred tax on the changes in fair value relating to those investment properties in the PRC in which their carrying amounts are not recovered entirely through sales is recognised according to the relevant tax rules.

4.2 Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of investment properties

The Group's investment properties are situated in the PRC and Hong Kong while certain portion of the investment properties has been transferred to properties under development and property, plant and equipment at its respective fair value during the year ended 31 December 2022. As at 31 December 2022, the Group's investment properties amounted to HK$8,591,359,000 (2021: HK$10,628,833,000) and represented 43% (2021: 57%) of the Group's total assets. As disclosed in note 20, net gains on fair value changes of investment properties of HK$997,731,000 (2021: HK$1,265,256,000) was recognised in profit or loss while the fair values of the investment properties are HK$2,207,400,000 and HK$26,205,000 at the date of transfer to the properties under development and property, plant and equipment respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Key sources of estimation uncertainty (Continued)

***Valuation of investment properties** (Continued)*

All of the Group's investment properties at the end of the reporting period and at the date of transfer are stated at their fair values based on valuations performed by a firm of independent qualified professional valuers. The valuations are dependent on certain significant unobservable inputs, including price/gross development value ("GDV") per square metre/bay/square feet, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties, which involved significant management's judgements and estimates. Details of the valuation methodologies and the significant unobservable inputs used in the valuations are disclosed in note 20.

Net realisable value of properties under development

As at 31 December 2022, the Group's properties under development amounted to HK$5,535,564,000 (2021: HK$3,229,062,000) and represented 28% (2021: 17%) of the Group's total assets. Management assessed whether any write-down of the properties under development was being recognised in accordance with the accounting policy in note 3.20. During the year ended 31 December 2022, provision for properties under development of HK$100,247,000 (2021: Nil) has been recognised in profit or loss.

The net realisable value of these properties has been determined by management with assistant from a firm of independent qualified professional valuers with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Significant management's judgements and estimates were required in determining the net realisable values of these properties. Write-down of the properties under development was being recognised when the net realisable value is lower than the carrying amount.

Management expects that any reasonable possible change in the key assumptions on which the net realisable value is based would not cause the carrying amount of properties under development to exceed its net realisable value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Key sources of estimation uncertainty (Continued)

Impairment assessment on proposed development project

As at 31 December 2022, the Group's proposed development project amounted to HK$2,016,712,000 (2021: HK$1,676,166,000) and represented 10% (2021: 9%) of the Group's total assets.

Management assessed whether any impairment of the proposed development project was being recognised in accordance with accounting policy stated in note 3.17. The recoverable amount of CGU has been determined by management with assistance from a firm of independent qualified professional valuers based on value in use calculation. The value in use calculation uses cash flow projection based on the financial budgets approved by management which involves the use of management's judgements and estimates such as discount rate, price per square meter/bay, construction cost and gross margin. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Management expects that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of proposed development project to exceed its recoverable amount.

Valuation of leasehold land and buildings included in property, plant and equipment

The Group's leasehold land and buildings are situated in the PRC and Hong Kong and measured at revalued amount in accordance with the accounting policy stated in note 3.14. As at 31 December 2022, the Group's leasehold land and buildings amounted to HK$554,738,000 (2021: HK$562,371,000). As disclosed in note 18, net losses on revaluation of leasehold land and buildings of HK$7,091,000 (2021: net gains of HK$32,450,000) was recognised for the year ended 31 December 2022.

All of the Group's leasehold land and buildings are stated at their revalued amount based on valuations performed by a firm of independent qualified professional valuers. The valuations are dependent on certain significant unobservable inputs, including (i) estimated construction cost for replacement; or (ii) price per square meter/square feet/bay which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties, which involved significant management's judgements and estimates. Details of the valuation methodologies and the significant unobservable inputs used in the valuations are disclosed in note 18.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Key sources of estimation uncertainty (Continued)

Impairment assessment on trade receivables, receivables arising from securities broking and loan receivables

The Group recognises an allowance for credit losses for trade receivables, receivables arising from securities broking and loan receivables by adopting the ECL model individually on each debtor at the end of each reporting period. In calculating the allowance for credit losses, the loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such calculation of allowance for credit losses has involved significant judgements and estimates used by the management.

As at 31 December 2022, the carrying amounts of trade receivables, receivables arising from securities broking and loan receivables amounted to HK$570,604,000 (2021: HK$355,226,000), HK$518,400,000 (2021: HK$290,443,000) and HK$409,761,000 (2021: HK$190,437,000) respectively, net of allowance for credit losses of HK$32,434,000 (2021: HK$19,443,000), HK$1,306,000 (2021: HK$88,000) and HK$49,166,000 (2021: HK$16,562,000), respectively). The information about the ECL and the Group's trade receivables, receivables arising from securities broking and loan receivables are disclosed in notes 27 and 55(b), respectively.

Impairment assessment on goodwill and other intangible assets with indefinite useful lives in relation to Financial Services Segment, Environmental Protection Segment and Department Store Segment (as defined in note 6)

Determining whether goodwill and other intangible assets with indefinite useful lives are impaired requires an estimation of the recoverable amounts of the respective CGUs to which goodwill and other intangible assets with indefinite useful lives have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the respective CGUs and a suitable pre-tax discount rate and growth rate in order to calculate the present value of the cash flows of the respective CGUs. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss would arise.

Details of impairment assessment of goodwill and other intangible assets with indefinite useful lives are disclosed in notes 21 and 22, respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Key sources of estimation uncertainty (Continued)

Estimation of impairment of property, plant and equipment

Management conducted an impairment review of certain CGUs of the Group where there were indications of possible impairment by considering the recoverable amounts of the relevant CGUs. The amount of any impairment loss was measured as the difference between the CGU's carrying amount and its recoverable amount.

The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use is the estimated future cash flows, based on key assumptions including expected growth or deterioration rate, discounted to their present values using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the actual future cash flows are less or more than expected, or there are unfavourable changes in facts and circumstances which result in downward revision of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. The calculation of the fair value less costs of disposal is based on available data from market rent and discounted to the net present value of market rent less any costs to transform or restoration.

Details of impairment assessment of property, plant and equipment are disclosed in note 18.

5. REVENUE

The Group recognises revenue from the following major sources:

(i) Revenue from sale of motor vehicle parts is recognised at a point in time when the control of goods has been transferred to customers upon delivery;

(ii) Revenue from dismantling and trading of scrap materials is recognised at a point in time when the control of the specific type of scrap materials, either dismantled or not, as requested by the customers, has been transferred to them upon delivery;

(iii) Revenue from sale of hangtags, labels, shirt paper boards and plastic bags is recognised at a point in time when the customer obtains control of the distinct goods;

5. REVENUE (Continued)

(iv) Revenue from sale of goods at the department stores is recognised at a point in time when the control of goods has been transferred to customers upon purchase the goods at the department stores;

(v) Revenue from rendering of financial printing, digital printing and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs;

(vi) Revenue from rendering of corporate finance advisory, asset management and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date;

(vii) Revenue from consultancy services on citizenship by investment programme ("CBI Programme") is recognised at a point in time when the CBI services have been rendered to the clients;

(viii) Revenue from commission from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients;

(ix) Revenue from commission from counter and consignment sales at the department stores is recognised at a point in time and based on certain percentage of sales made by the customers in accordance with the terms of contracts;

(x) Revenue from sale of box office tickets is recognised at a point in time when the relevant film is exhibited;

(xi) Revenue from rental income is recognised on a straight-line basis over the term of the lease; and

(xii) Revenue from interest income from margin financing and money lending business is recognised on a time proportion basis using the effective interest method.

5. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers

Type of goods and services	Property HK$'000	Financial Services HK$'000	Environmental Protection HK$'000	Motor Vehicle Parts HK$'000	Commercial Printing HK$'000	Hangtag HK$'000	Department Store HK$'000	LAC HK$'000	Cinema Operation HK$'000	Total HK$'000
Year ended 31 December 2022										
Sales of goods										
– Motor vehicle parts	–	–	–	140,952	–	–	–	–	–	140,952
– Scrap materials	–	–	704,978	–	–	–	–	–	–	704,978
– Hangtags, labels, shirt paper boards and plastic bags	–	–	–	–	–	145	–	–	–	145
– Department store goods	–	–	–	–	–	–	108,484	–	–	108,484
	–	–	704,978	140,952	–	145	108,484	–	–	954,559
Rendering of services										
– Printing services	–	–	–	–	59,122	–	–	–	–	59,122
– Financial services	–	30,146	–	–	–	–	–	–	–	30,146
– Consultancy services	–	–	–	–	–	–	–	5,936	–	5,936
– Commission from securities broking	–	37,888	–	–	–	–	–	–	–	37,888
– Commission income from counter and consignment sales	–	–	–	–	–	–	37,405	–	–	37,405
– Box office tickets	–	–	–	–	–	–	–	–	1,067	1,067
Revenue from contracts with customers	–	68,034	704,978	140,952	59,122	145	145,889	5,936	1,067	1,126,123
Revenue from gross rental income	14,503	–	–	–	–	–	421	–	–	14,924
Revenue from interest income from margin financing	–	31,349	–	–	–	–	–	–	–	31,349
Revenue from interest income from money lending business	–	26,414	–	–	–	–	–	–	–	26,414
Total	14,503	125,797	704,978	140,952	59,122	145	146,310	5,936	1,067	1,198,810
Geographical markets										
The PRC	14,194	–	450,292	13,761	–	–	–	–	1,067	479,314
Hong Kong	309	125,797	79,968	127,191	59,122	145	146,114	5,936	–	544,582
Japan	–	–	173,349	–	–	–	–	–	–	173,349
Other countries	–	–	1,369	–	–	–	196	–	–	1,565
Total	14,503	125,797	704,978	140,952	59,122	145	146,310	5,936	1,067	1,198,810
Timing of revenue recognition										
A point in time	–	37,888	704,978	140,952	–	145	145,889	5,936	1,067	1,036,855
Over time	–	30,146	–	–	59,122	–	–	–	–	89,268
	–	68,034	704,978	140,952	59,122	145	145,889	5,936	1,067	1,126,123
Revenue out of the scope of HKFRS 15										
Rental income	14,503	–	–	–	–	–	421	–	–	14,924
Interest income	–	57,763	–	–	–	–	–	–	–	57,763
Total	14,503	125,797	704,978	140,952	59,122	145	146,310	5,936	1,067	1,198,810

5. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

Type of goods and services	Property HK$'000	Financial Services HK$'000	Environmental Protection HK$'000	Motor Vehicle Parts HK$'000	Commercial Printing HK$'000	Hangtag HK$'000	Department Store HK$'000	Total HK$'000
Year ended 31 December 2021								
Sales of goods								
– Motor vehicle parts	–	–	–	216,163	–	–	–	216,163
– Scrap materials	–	–	672,848	–	–	–	–	672,848
– Hangtags, labels, shirt paper boards and plastic bags	–	–	–	–	–	187	–	187
– Department store goods	–	–	–	–	–	–	71,842	71,842
	–	–	672,848	216,163	–	187	71,842	961,040
Rendering of services								
– Printing services	–	–	–	–	58,307	–	–	58,307
– Financial services	–	59,528	–	–	–	–	–	59,528
– Commission from securities broking	–	46,100	–	–	–	–	–	46,100
– Commission income from counter and consignment sales	–	–	–	–	–	–	22,761	22,761
Revenue from contracts with customers	–	105,628	672,848	216,163	58,307	187	94,603	1,147,736
Revenue from gross rental income	9,887	–	–	–	–	–	441	10,328
Revenue from interest income from margin financing	–	19,269	–	–	–	–	–	19,269
Revenue from interest income from money lending business	–	17,746	–	–	–	–	–	17,746
Total	9,887	142,643	672,848	216,163	58,307	187	95,044	1,195,079
Geographical markets								
The PRC	9,596	–	366,285	16,950	–	–	–	392,831
Hong Kong	291	142,643	91,270	199,213	58,307	187	94,918	586,829
Japan	–	–	211,760	–	–	–	–	211,760
Other countries	–	–	3,533	–	–	–	126	3,659
Total	9,887	142,643	672,848	216,163	58,307	187	95,044	1,195,079
Timing of revenue recognition								
A point in time	–	46,100	672,848	216,163	–	187	94,603	1,029,901
Over time	–	59,528	–	–	58,307	–	–	117,835
	–	105,628	672,848	216,163	58,307	187	94,603	1,147,736
Revenue out of the scope of HKFRS 15								
Rental income	9,887	–	–	–	–	–	441	10,328
Interest income	–	37,015	–	–	–	–	–	37,015
Total	9,887	142,643	672,848	216,163	58,307	187	95,044	1,195,079

5. REVENUE (Continued)

(b) Performance obligations for contracts with customers

(i) Sales of goods

Motor vehicle parts, scrap materials and hangtags, labels, shirt paper boards and plastic bags

The Group sells (i) motor vehicle parts; (ii) scrap materials; and (iii) hangtags, labels, shirt paper boards and plastic bags directly to customers. Revenue from sale of above-mentioned goods is recognised at a point in time when the control of goods has been transferred to customers upon the goods have been delivered to the location designated by the customers as agreed in the sales contracts. Following the delivery, the customers have full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit terms of (i) sales of motor vehicle parts; (ii) sales of scrap materials; and (iii) sales hangtags, labels, shirt paper boards and plastic bags are (i) 90 days (2021: 90 days); (ii) 45 to 90 days (2021: 45 – 90 days); and (iii) 45 to 90 days (2021: 45 – 90 days) upon the delivery, respectively.

Department store goods

The Group sells consumer products directly to customers at the department stores. Revenue from sale of goods at the department stores is recognised when control of the goods has transferred, being at the point the customers purchase the goods at the department stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Sales of goods with rights of return

Certain contracts for the sale of goods provide customers with rights of return. The rights of return give rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

5. REVENUE (Continued)

(b) Performance obligations for contracts with customers (Continued)

(ii) Rendering of services

Financial printing, digital printing, corporate finance advisory, asset management and other related services

Revenue from rendering of financial printing and digital printing services is recognised over time on the progress of work that the customers simultaneously receive and consume the benefits performed by the Group.

Revenue from rendering of financial services (including corporate financial advisory and asset management) is recognised over time on the progress of work that the customers simultaneously receive and consume the benefits performed by the Group or the Group's performance does not create an asset with an alternative use to the Group and the Group has a right to payment at an amount that reasonably compensates it for its performance completed to date at all times throughout the contract.

The progress of satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurement of the value of the services rendered to date. When the Group receives a deposit in advance before the services rendered, and this will give rise to contract liabilities until the revenue is recognised. The payment term is generally one month (2021: one month).

Consultancy services on CBI Programme

Revenue from consultancy services on CBI Programme is recognised at a point in time upon the completion of the application of the citizenship under CBI Programme by the customers. The Group receives a deposit in advance before services rendered, and this will give rise to contract liabilities until the revenue is recognised.

Securities broking services

The Group's commission income from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients. Such commission income is calculated as a percentage of the transacted amount of securities purchased or sold. The commission income would be paid out of the cash held on behalf of clients upon purchase of securities or deducted from the proceeds received on behalf of clients upon disposal of securities.

5. REVENUE (Continued)

(b) Performance obligations for contracts with customers (Continued)

(ii) Rendering of services (Continued)

Counter and consignment sales

The Group's commission income from counter and consignment sale at the department stores is recognised at a point in time and based on certain percentage of sales in accordance with the terms of contracts. The Group receives the entire sales proceeds from ultimate customers on behalf of the counters and consignors and reimburses the sales proceeds back to counters and consignors after deducting the commission income.

Provision for loyalty points programme

For sale of goods at the department stores, the performance obligation is satisfied upon utilisation of loyalty points. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative standalone selling price. The transaction price of HK$1,321,000 (2021: HK$2,119,000) was allocated to the remaining performance obligations as at 31 December 2022 which are expected to be recognised as revenue within one year.

Box office tickets

The Group sells box office tickets directly to customers in the PRC. Revenue from sale of box office tickets is recognised at a point in time when the film is exhibited to the customers and payment in advance is normally required.

Incremental costs to obtain a contracts

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

All sales of goods and rendering of services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is organised into business units based on their products and services and has nine (2021: eight) operating segments as follows:

(i) property investment, development and commercial operation ("Property Segment");

(ii) provision of corporate finance advisory, asset management, securities brokerage services, money lending and margin financing ("Financial Services Segment");

(iii) environmental protection industry, mainly dismantling and trading of scrap materials ("Environmental Protection Segment");

(iv) distribution and sale of motor vehicle parts ("Motor Vehicle Parts Segment");

(v) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");

(vi) operation of department stores offering a wide range of consumer products, comprises of sale of goods, income from counter and consignment sale and the revenue from other sources, including securities trading, rental income from sublease of properties and the provision of general and life insurances ("Department Store Segment");

(vii) development of project in Grenada which integrates a collection of international school campuses, apartments for student, commercial complex, hotel resorts, residential villas and other ancillary facilities ("LAC Segment");

(viii) sales of hangtags, labels, shirt paper boards and plastic bags principally to manufacturers of consumer products ("Hangtag Segment"); and

(ix) operation of a cinema located in the PRC with the exhibition of the film ("Cinema Operation Segment").

During the year ended 31 December 2022, the Group commenced the business of cinema operation and it is considered as a new operating segment by the CODM.

During the year ended 31 December 2021, the Group has two new operating segments as "Department Store Segment" and "Latin America and the Caribbean Segment" ("LAC Segment") through business combination and capital contribution from controlling shareholder respectively. Further details are set out in notes 46 and 47 respectively.

6. SEGMENT INFORMATION (Continued)

During the year ended 31 December 2022, Hangtag Segment and Cinema Operation Segment were being reported as "Others" as none of these segments met the quantitative thresholds for the reporting segments in both current and prior years. No prior year segment disclosures have been re-presented as the Cinema Operation Segment included in "Others" has not yet commenced its business during the year ended 31 December 2021.

(a) Segment revenues and results

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

	Property	Financial Services	Environmental Protection	Motor Vehicle Parts	Commercial Printing	Department Store	LAC	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2022									
Segment revenue									
– Sales to external customers	14,503	125,797	704,978	140,952	59,122	146,310	5,936	1,212	1,198,810
– Inter-segment sales	2,520	6,954	–	–	944	285	–	–	10,703
	17,023	132,751	704,978	140,952	60,066	146,595	5,936	1,212	1,209,513
Elimination of inter-segment sales									(10,703)
Revenue									1,198,810
Segment results	(1,379,530)	21,315	(6,501)	5,682	(2,375)	(33,614)	1,799,839	(374)	404,442
Bank interest income									1,395
Dividend income									2,887
Unrealised fair value loss on financial assets at FVTPL									(8,721)
Realised loss on disposal of financial assets at FVTPL									(24)
Net foreign exchange gain									358,098
Revaluation deficit on property, plant and equipment									(8,145)
Corporate expenses									(47,829)
Finance costs									(330,999)
Profit before income tax									371,104

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

	Property	Financial Services	Environmental Protection	Motor Vehicle Parts	Commercial Printing	Department Store	Others-Hangtag	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021								
Segment revenue								
– Sales to external customers	9,887	142,643	672,848	216,163	58,307	95,044	187	1,195,079
– Inter-segment sales	2,520	19,238	–	–	1,561	–	–	23,319
	12,407	161,881	672,848	216,163	59,868	95,044	187	1,218,398
Elimination of inter-segment sales								(23,319)
Revenue								1,195,079
Segment results	792,282	45,917	9,392	8,679	(4,063)	(19,165)	(145)	832,897
Bank interest income								15,930
Claim for legal case								13,888
Dividend income								1,084
Unrealised fair value loss on financial assets at FVTPL								(3,025)
Realised gain on disposal of financial assets at FVTPL								637
Net foreign exchange loss								(139,021)
Revaluation surplus on property, plant and equipment								23,396
Corporate expenses								(64,342)
Finance costs								(252,977)
Profit before income tax								428,467

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned by/(loss from) each segment without allocation of bank interest income, claim for legal case, certain dividend income, unrealised fair value loss on financial assets at FVTPL, realised (loss)/gain on disposal of financial assets at FVTPL, net foreign exchange gain/(loss), revaluation (deficit)/surplus on property, plant and equipment, corporate expenses and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

	Property HK$'000	Financial Services HK$'000	Environmental Protection HK$'000	Motor Vehicle Parts HK$'000	Commercial Printing HK$'000	Department Store HK$'000	LAC HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2022									
Segment assets	14,501,390	1,318,369	499,646	155,999	25,552	791,937	2,243,238	5,365	19,541,496
Corporate and unallocated assets									328,181
Total assets									19,869,677
Segment liabilities	7,775,088	522,733	124,198	5,675	28,082	247,219	71,548	156	8,774,699
Corporate and unallocated liabilities									5,929,923
Total liabilities									14,704,622

	Property HK$'000	Financial Services HK$'000	Environmental Protection HK$'000	Motor Vehicle Parts HK$'000	Commercial Printing HK$'000	Department Store HK$'000	LAC HK$'000	Others - Hangtag HK$'000	Total HK$'000
As at 31 December 2021									
Segment assets	15,679,437	858,871	456,644	145,921	16,818	916,932	356,496	41	18,431,160
Corporate and unallocated assets									316,225
Total assets									18,747,385
Segment liabilities	6,699,762	304,165	66,403	26,328	19,865	317,223	31,560	22	7,465,328
Corporate and unallocated liabilities									6,016,778
Total liabilities									13,482,106

6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

(i) all assets are allocated to operating segments other than equity instruments at FVTOCI, pension scheme assets, amounts due from related parties, financial assets at FVTPL, tax recoverable, bank balances and cash, asset classified as held for sale and other unallocated head office and corporate assets as these assets are managed on a group basis.

(ii) all liabilities are allocated to operating segments other than certain other payables and accruals, certain bank borrowings, amounts due to related parties, tax payable, deferred tax liabilities, certain other borrowings, loans from ultimate holding company and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(c) Other segment information

	Property HK$'000	Financial Services HK$'000	Environmental Protection HK$'000	Motor Vehicle Parts HK$'000	Commercial Printing HK$'000	Department Store HK$'000	LAC HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2022										
Amount included in the measure of segment results or segment assets										
Capital expenditure (note)	8,526	18,038	12,882	5,415	21,488	1,438	36,815	3,062	49,001	156,665
Depreciation										
– Own assets	15,265	785	5,645	2	1,754	7,851	586	453	2,604	34,945
– Right-of-use assets	-	5,486	6,776	619	7,287	38,755	3,594	-	15,766	78,283
– Prepaid lease payments	-	-	125	-	-	-	-	-	-	125
Amortisation of other intangible assets	-	2,787	-	-	-	2,133	6,052	-	-	10,972
Government grants	(888)	(1,426)	(387)	(72)	(1,575)	-	(8)	(41)	(398)	(4,795)
Imputed interest income on gift receivable form Win Dynamic	-	-	-	-	-	(16,113)	-	-	-	(16,113)
Interest income on credit-impaired loan receivables	-	(6,083)	-	-	-	-	-	-	-	(6,083)
Loss on disposal of property, plant and equipment	-	-	73	-	610	-	27	-	-	710
Revaluation deficit on property, plant and equipment	8,145	-	-	-	-	-	-	-	-	8,145
Provision for properties under development	100,247	-	-	-	-	-	-	-	-	100,247
Impairment losses/(Reversal of impairment losses), net	-	34,366	10,865	1,254	474	582	-	(4)	-	47,537
Loss/(Gain) on fair value changes of investment properties, net	849,139	-	-	-	-	-	(1,846,870)	-	-	(997,731)
Bank interest income	-	-	-	-	-	-	-	-	(1,395)	(1,395)
Finance costs	396,850	-	-	-	-	-	-	-	330,999	727,849
Income tax (credit)/expenses	(233,704)	836	(1,933)	1,945	(78)	(329)	(796)	1	-	(234,058)

6. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

	Property HK$'000	Financial Services HK$'000	Environmental Protection HK$'000	Motor Vehicle Parts HK$'000	Commercial Printing HK$'000	Department Store HK$'000	LAC HK$'000	Others-Hangtags HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2021										
Amount included in the measure of segment results or segment assets										
Capital expenditure (note)	79,174	1,240	22,336	–	1,349	247,650	347,784	–	–	699,533
Depreciation										
– Own assets	15,441	734	12,880	120	808	3,596	–	77	3,032	36,688
– Right-of-use assets	–	5,903	1,370	201	9,762	27,322	–	–	9,987	54,545
– Prepaid lease payments	–	–	128	–	–	–	–	–	–	128
Amortisation of other intangible assets	–	2,787	–	–	–	1,067	–	–	–	3,854
Government grants	–	–	(344)	–	–	–	–	–	–	(344)
Imputed interest income on gift receivable form Win Dynamic	–	–	–	–	–	(9,314)	–	–	–	(9,314)
Interest income on credit-impaired loan receivables	–	(7,818)	–	–	–	–	–	–	–	(7,818)
Loss/(Gain) on disposal of property, plant and equipment	–	–	105	–	–	(499)	–	–	–	(394)
Revaluation surplus on property, plant and equipment	(23,396)	–	–	–	–	–	–	–	–	(23,396)
(Reversal of impairment losses)/Impairment losses, net	(71)	(4,678)	6,364	2,465	(888)	448	–	6	–	3,646
Gain on fair value changes of investment properties, net	(1,265,256)	–	–	–	–	–	–	–	–	(1,265,256)
Bank interest income	–	–	–	–	–	–	–	–	(15,930)	(15,930)
Finance costs	442,829	–	–	–	–	–	–	–	252,977	695,806
Income tax expenses/(credit)	309,721	1,389	943	496	146	(161)	–	(1)	–	312,533

Note: Capital expenditure consists of additions to property, plant and equipment, investment properties and other intangible assets.

6. SEGMENT INFORMATION (Continued)

(d) Geographical information

(i) Revenue from external customers

	2022	2021
	HK$'000	HK$'000
Hong Kong	**544,582**	586,829
The PRC	**479,314**	392,831
Japan	**173,349**	211,760
Other countries	**1,565**	3,659
	1,198,810	1,195,079

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

	2022	2021
	HK$'000	HK$'000
The PRC	**8,152,334**	9,420,226
Hong Kong	**1,501,254**	1,906,883
Japan	**19,163**	21,020
Other countries	**7,295**	345,790
	9,680,046	11,693,919

The non-current assets information above is based on the locations of the assets and excludes non-current portion of financial instruments and pension scheme assets.

(e) Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the Group's total revenues are as follows:

	2022	2021
	HK$'000	HK$'000
Customer A[1]	**260,419**	125,330
Customer B[1]	**154,354**	190,594
Customer C[1]	**–**	132,997

[1] Revenue from Environmental Protection Segment

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Bank interest income	**1,395**	15,930
Dividend income	**2,887**	4,074
Imputed interest income on gift receivable from Win Dynamic (note 49)	**16,113**	9,314
Interest income on credit-impaired loan receivables	**6,083**	7,818
Government grants (note (a))	**4,795**	344
Claim for legal case (note (b))	**–**	13,888
Others	**2,106**	1,942
	33,379	53,310

Notes:

(a) During the year ended 31 December 2022, the Group received funding support amounting to HK$3,399,000 (2021: Nil) from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grants, the Company is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

(b) The amount represented the reimbursement of HK$13,888,000 (2022: Nil) recovered during the year ended 31 December 2021 in respect of the provision for legal claim brought against the Group for the outstanding agency fee and interests accrued thereon for the acquisition of a subsidiary during the year ended 31 December 2016.

8. OTHER GAINS/(LOSSES), NET

	2022 HK$'000	2021 HK$'000
(Loss)/Gain on disposal of property, plant and equipment	**(710)**	394
Unrealised fair value loss on financial assets at FVTPL	**(8,721)**	(3,025)
Realised (loss)/gain on disposal of financial assets at FVTPL	**(24)**	637
Net foreign exchange gain/(loss)	**358,098**	(139,021)
Revaluation (deficit)/surplus on property, plant and equipment	**(8,145)**	23,396
Recovery of receivables arising from securities broking previously written-off	**1,364**	–
	341,862	(117,619)

9. IMPAIRMENT LOSSES, NET

	2022 HK$'000	2021 HK$'000
(Impairment losses)/Reversal of impairment losses, net, recognised on:		
– trade receivables	**(13,133)**	(9,133)
– receivables arising from securities broking	**(1,218)**	1,868
– loan receivables	**(32,604)**	4,064
– gift receivable from Win Dynamic (note 49)	**(582)**	(445)
	(47,537)	(3,646)

Details of impairment assessment for the years ended 31 December 2022 and 2021 are set out in note 55(b).

10. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings and overdrafts	**572,676**	617,059
Interest on other borrowings	**5,085**	1,132
Interest on loans from ultimate holding company	**131,432**	70,023
Interest on amounts due to related parties	**3,391**	–
Interest on loan from a related company	**6,746**	–
Finance charges on lease liabilities	**7,681**	5,123
Imputed interest on deferred consideration (note 37)	**838**	2,469
	727,849	695,806

11. INCOME TAX (CREDIT)/EXPENSES

	2022	2021
	HK$'000	HK$'000
Current tax		
Hong Kong		
– Provision for the year	**6,799**	2,828
– Under-provision in prior years	**2,402**	834
Japan		
– Provision for the year	**568**	840
– Over-provision in prior years	**(1,027)**	–
Others		
– Provision for the year	**23**	–
	8,765	4,502
Deferred tax		
– (Credit)/Charge for the year (note 42)	**(242,823)**	308,031
Income tax (credit)/expenses	**(234,058)**	312,533

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2022.

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2021: 25%) for the year ended 31 December 2022.

Japan

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes is 33.5% (2021: 29%) for the year ended 31 December 2022.

11. INCOME TAX (CREDIT)/EXPENSES (Continued)

A reconciliation between income tax (credit)/expenses and profit before income tax at applicable tax rates is as follows:

	2022	2021
	HK$'000	HK$'000
Profit before income tax	**371,104**	428,467
Income tax calculated at the rates applicable in the tax jurisdictions concerned	**143,122**	118,530
Tax effect of non-taxable income	**(585,685)**	(72,447)
Tax effect of non-deductible expenses	**150,711**	54,411
Tax effect of tax losses not recognised	**58,325**	218,896
Utilisation of tax losses previously not recognised	**(1,215)**	(4,145)
Under-provision in prior years	**1,375**	834
Others	**(691)**	(3,546)
Income tax (credit)/expenses	**(234,058)**	312,533

12. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging/(crediting):

	2022 HK$'000	2021 HK$'000
Employee benefits expense (including directors' emoluments)		
– Wages and salaries	**158,011**	135,085
– Discretionary bonuses	**9,778**	11,970
– Retirement benefits (note)	**8,182**	7,088
	175,971	154,143
Auditor's remuneration	**5,600**	5,400
Depreciation of:		
– Owned assets	**34,945**	36,688
– Right-of-use assets	**78,283**	54,545
– Prepaid lease payments	**125**	128
Amortisation of other intangible assets	**10,972**	3,854
Impairment loss on property, plant and equipment included in administrative expenses	**–**	1,992
Direct operating expenses (including repair and maintenance):		
– Arising from leased investment properties	**5,516**	1,247
– Arising from vacant investment properties	**1,959**	2,104
Cost of inventories recognised as expenses	**879,817**	865,854
Short-term lease payments	**20,073**	2,619
Claim for legal case (note 7(b))	**–**	(13,888)
Covid-19-related rent concessions (note 53)	**(720)**	(5,237)

Note: As at 31 December 2022 and 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

The amount of the retirement benefits included the net pension scheme cost of HK$217,000 (2021: HK$1,008,000) during the year ended 31 December 2022.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2022	2021
	HK$'000	HK$'000
Fees	**439**	408
Other emoluments:		
– Salaries, allowances and benefits in kind	**12,120**	12,120
– Discretionary bonuses	**37**	36
– Retirement benefits	**54**	54
	12,211	12,210
	12,650	12,618

(a) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2022					
Executive directors:					
Dr. Lin	–	**6,120**	–	**18**	**6,138**
Madam Su	–	**2,400**	–	**18**	**2,418**
Mr. Lin Xiaodong	–	**3,600**	–	**18**	**3,618**
	–	**12,120**	–	**54**	**12,174**
Year ended 31 December 2021					
Executive directors:					
Dr. Lin	–	6,120	–	18	6,138
Madam Su	–	2,400	–	18	2,418
Mr. Lin Xiaodong	–	3,600	–	18	3,618
	–	12,120	–	54	12,174

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(b) Independent non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits HK$'000	Total HK$'000
Year ended 31 December 2022					
Independent non-executive directors:					
Mr. Yu Leung Fai	**156**	**–**	**13**	**–**	**169**
Mr. Fang Jixin	**156**	**–**	**13**	**–**	**169**
Mr. Ho Chun Chung Patrick (note (b))	**127**	**–**	**11**	**–**	**138**
	439	**–**	**37**	**–**	**476**
Year ended 31 December 2021					
Independent non-executive directors:					
Mr. Yu Leung Fai	151	–	12	–	163
Mr. Fang Jixin	151	–	12	–	163
Dr. Li Jue (note (a))	106	–	12	–	118
Mr. Ho Chun Chung Patrick (note (b))	–	–	–	–	–
	408	–	36	–	444

Notes:

(a) Resigned on 15 September 2021.

(b) Appointed on 8 March 2022.

Included in the financial assets at FVTPL is a school debenture amounted to HK$5,300,000 (2021: HK$6,000,000) for the use by Dr. Lin's dependent.

The executive directors' emoluments shown above for years ended 31 December 2022 and 2021 were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above for the years ended 31 December 2022 and 2021 were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emolument during both years.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

There was no emolument paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

Madam Su is also the chief executive of the Company and her emoluments disclosed above included those services rendered by her as the chief executive during both years.

Discretionary bonuses were determined with reference to the individual performance.

14. TRANSACTIONS, ARRANGEMENTS OR CONTRACTS IN WHICH DIRECTORS OF THE COMPANY HAVE MATERIAL INTERESTS

Details of the material connected transactions and related party transactions are set out in the "Report of the Directors" and note 52 respectively.

Save for the above, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time during the years ended 31 December 2022 and 2021 was a director of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of the reporting period.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2021: two) directors, details of whose emoluments are set out in note 13 above.

Details of the emoluments of the remaining three (2021: three) highest paid employees who are not directors of the Company are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits in kind	**10,617**	10,411
Discretionary bonuses	**4,000**	2,000
Retirement benefits	**161**	168
	14,778	12,579

15. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees who are not the directors of the Company whose emolument fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**2**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–
	3	3

16. DIVIDEND

No dividend was paid or proposed to ordinary shareholders of the Company during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

17. EARNINGS PER SHARE

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

	2022	2021
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share calculation (profit attributable to owners of the Company)	**114,892**	122,197

	Number of shares	
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,440,397,551**	1,438,485,222
Effect of dilutive potential ordinary shares:		
– Share options	**2,305,171**	3,690,501
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**1,442,702,722**	1,442,175,723

18. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
As at 1 January 2021									
Cost	97,106	27,814	24,261	4,854	18,466	13,831	30,783	21,680	238,795
Valuation	–	379,021	–	–	–	–	–	–	379,021
Accumulated depreciation and impairment	(58,875)	(41,156)	(7,318)	(3,209)	(15,183)	(12,240)	(22,926)	(9,756)	(170,663)
Net carrying amount	38,231	365,679	16,943	1,645	3,283	1,591	7,857	11,924	447,153
Year ended 31 December 2021									
Opening net carrying amount	38,231	365,679	16,943	1,645	3,283	1,591	7,857	11,924	447,153
Additions	509	–	5,633	494	1,593	3,533	152	–	11,914
Acquisition of subsidiaries (note 46)	38,443	186,000	–	–	7	89	–	–	224,539
Capital contribution from controlling shareholder (note 47)	1,997	–	–	–	–	–	–	–	1,997
Disposals	–	–	(414)	–	(65)	–	–	–	(479)
Depreciation	(54,545)	(24,004)	(1,928)	(547)	(1,108)	(2,354)	(4,579)	(2,168)	(91,233)
Lease modification	62,455	–	–	–	–	–	–	–	62,455
Lease termination	(109)	–	–	–	–	–	–	–	(109)
Gain on revaluation, net	–	32,450	–	–	–	–	–	–	32,450
Impairment	(1,992)	–	–	–	–	–	–	–	(1,992)
Exchange realignment	(460)	2,246	152	99	82	84	22	–	2,225
Closing net carrying amount	84,529	562,371	20,386	1,691	3,792	2,943	3,452	9,756	688,920
As at 31 December 2021 and 1 January 2022									
Cost	200,401	25,619	29,480	5,348	20,001	17,453	30,935	21,680	350,917
Valuation	–	599,666	–	–	–	–	–	–	599,666
Accumulated depreciation and impairment	(115,872)	(62,914)	(9,094)	(3,657)	(16,209)	(14,510)	(27,483)	(11,924)	(261,663)
Net carrying amount	84,529	562,371	20,386	1,691	3,792	2,943	3,452	9,756	688,920
Year ended 31 December 2022									
Opening net carrying amount	**84,529**	**562,371**	**20,386**	**1,691**	**3,792**	**2,943**	**3,452**	**9,756**	**688,920**
Additions	**104,324**	**–**	**497**	**6,026**	**2,225**	**6,325**	**371**	**–**	**119,768**
Acquisition of subsidiaries (note 46)	**–**	**–**	**–**	**–**	**231**	**–**	**–**	**–**	**231**
Disposals	**–**	**–**	**(788)**	**(350)**	**(276)**	**(194)**	**–**	**–**	**(1,608)**
Depreciation	**(78,283)**	**(23,709)**	**(2,169)**	**(384)**	**(2,095)**	**(2,317)**	**(2,103)**	**(2,168)**	**(113,228)**
Lease modification	**935**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**935**
Loss on revaluation, net	**–**	**(7,091)**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,091)**
Transfer from investment properties (note 20)	**–**	**26,205**	**–**	**–**	**–**	**–**	**–**	**–**	**26,205**
Exchange realignment	**(1,585)**	**(3,038)**	**(2,566)**	**(321)**	**(882)**	**(460)**	**(197)**	**–**	**(9,049)**
Closing net carrying amount	**109,920**	**554,738**	**15,360**	**6,662**	**2,995**	**6,297**	**1,523**	**7,588**	**705,083**
As at 31 December 2022									
Cost	**223,293**	**25,480**	**26,001**	**10,049**	**17,880**	**21,744**	**28,736**	**21,680**	**374,863**
Valuation	**–**	**614,995**	**–**	**–**	**–**	**–**	**–**	**–**	**614,995**
Accumulated depreciation and impairment	**(113,373)**	**(85,737)**	**(10,641)**	**(3,387)**	**(14,885)**	**(15,447)**	**(27,213)**	**(14,092)**	**(284,775)**
Net carrying amount	**109,920**	**554,738**	**15,360**	**6,662**	**2,995**	**6,297**	**1,523**	**7,588**	**705,083**

During the year ended 31 December 2022, certain portion of a shopping arcade in Shenzhen, Guangdong Province, the PRC included in investment properties has been transferred to leasehold land and buildings included in property, plant and equipment at its fair value of HK$26,205,000 upon the commencement of the self-operated cinema since October 2022.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Right-of-use assets	Over the lease terms
Leasehold land and buildings	2%-4% or over the lease terms, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10-20%
Office equipment	20%
Leasehold improvements	20% or over the lease terms, whichever is shorter
Motor vehicles	16-25%
Yacht	10%

Impairment assessment of right-of-use assets included in property, plant and equipment

Management identified certain department stores which continued to under-perform and estimated the recoverable amounts of these department stores, where each of these is a separate CGU. The recoverable amount of each CGU has been determined based on value in use or fair value less costs of disposal, whichever is higher.

Based on the value in use calculation, the carrying amounts of certain right-of-use assets of such department stores were impaired by Nil (2021: HK$822,000) during the year ended 31 December 2022. As at 31 December 2022, the aggregate recoverable amount of these right-of-use assets was HK$61,674,000 (2021: HK$100,318,000). The estimate of the recoverable amount of each CGU was determined by applying a discount rate of 9.93% (2021: 10.7%) to the cash flow projections.

In addition, management also estimated the recoverable amounts of certain right-of-use assets of such department stores by using fair value less costs of disposal based on valuations performed by Castores Magi (Hong Kong) Limited and Valtech Valuation Advisory Limited, the independent qualified professional valuers. Based on the fair value less costs of disposal, the carrying amounts of these right-of-use assets were impaired by Nil (2021: HK$1,170,000). The fair value measurements of these right-of-use assets are categorised in Level 3.

Below is a summary of the valuation technique used and the key inputs to the valuations of these right-of-use assets as at 31 December 2022:

Valuation technique	Significant unobservable inputs	Range
Discounted cash flow method	Estimated rental value (per square feet and per month)	2022: HK$44 to HK$66 (2021: HK$30 to HK$69)
	Discount rate	10.4% (2021: 9.6%)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of leasehold land and buildings

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Roma Appraisals Limited ("Roma")) and B.I. Appraisals Limited, firms of independent qualified professional valuers, at an aggregate market value of HK$554,738,000 (2021: HK$562,371,000) based on their fair values. A revaluation deficit of HK$8,145,000 (2021: surplus of HK$23,396,000) resulting from the above valuations has been recognised in profit or loss (note 8).

The fair value measurements of the leasehold land and buildings are categorised in Level 3. During the years ended 31 December 2022 and 2021, there were no transfers amongst different levels of fair value measurements.

The fair values of the industrial property in Hong Kong, the commercial and residential properties, car parking spaces and cinema in the PRC and Hong Kong were determined using the direct comparison approach by making reference to comparable transactions as available in the relevant market after applying adjusting factors to reflect the conditions and locations of the subject properties.

The fair value of the industrial property in the PRC was determined using the depreciation replacement cost approach, which considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar properties in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

***Fair value measurement of leasehold land and buildings* (Continued)**

Below is a summary of the key inputs used to the valuations of leasehold land and buildings:

Leasehold land and buildings	Significant unobservable inputs	Range 2022	Range 2021
Commercial property in Shenzhen, Guangdong Province, the PRC (2022: HK$29,389,000 (2021: HK$42,920,000))	Adopted price per square metre determined based on comparable transactions (Renminbi ("RMB"))	**30,800 to 33,200**	42,900 to 44,400
	Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 92% to 93%**	Adjusting factors ranged from 91% to 96%
Industrial property in Wuzhou, Guangxi Province, the PRC (2022: HK$13,529,000 (2021: HK$13,451,000))	Estimated construction cost for replacement (per square metre) (RMB)	**1,900**	1,872
	Adjusting factor of variable conditions and locations	**Adjusting factor of 76%**	Adjusting factor of 78%
Residential property in Bel-Air, Island South, Hong Kong (2022: HK$304,000,000 (2021: HK$316,000,000))	Adopted price per square feet determined based on comparable transactions (HK$)	**64,900 to 82,500**	66,200 to 83,000
	Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 65% to 103%**	Adjusting factors ranged from 71% to 127%

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of leasehold land and buildings (Continued)

Leasehold land and buildings	Significant unobservable inputs	Range 2022	Range 2021
Industrial property in Gemstar Tower, Hung Hom, Hong Kong (2022: HK$177,200,000 (2021: HK$186,300,000))	Adopted price per square feet determined based on comparable transactions (HK$)	**6,200 to 6,700**	6,500 to 7,100
	Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 78% to 86%**	Adjusting factors ranged from 82% to 90%
2 car parking spaces in Gemstar Tower, Hung Hom, Hong Kong (2022: HK$3,800,000 (2021: HK$3,700,000))	Adopted price per bay determined based on comparable transactions (HK$'000)	**1,530 to 2,600**	1,900
	Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 84% to 93%**	Adjusting factor of 95%

Leasehold land and buildings	Significant unobservable input	Range 31 December 2022	Range 1 October 2022
Cinema in a shopping arcade in Shenzhen, Guangdong Province, the PRC (31 December 2022: HK$26,820,000 (1 October 2022: HK$26,205,000))	Adopted price per square metre determined based on comparable transactions (RMB)	**102,000 to 127,900**	111,500 to 115,900
	Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 85% to 93%**	Adjusting factors ranged from 84% to 85%

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of leasehold land and buildings **(Continued)**

The fair values of the leasehold land and buildings were based on the highest and best use of leasehold land and buildings in the PRC and Hong Kong, which did not differ from their actual use. There is no change from the valuation technique used in the prior year.

An increase/(decrease) in the adopted price per square metre/square feet/bay and would result in the same level of increase/(decrease) in the fair values of the commercial, industrial and residential properties, cinema and car parking spaces. An increase/(decrease) in the estimated construction cost for replacement per square metre would result in the same level of increase/(decrease) in the fair value of the industrial property.

As at 31 December 2022 and 2021, certain leasehold land and buildings of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 38.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been HK$561,185,000 (2021: HK$559,935,000).

As at 31 December 2022 and 2021, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Net carrying amount as at 31 December		Depreciation for the year ended 31 December	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings carried at cost	**106,734**	81,207	**77,321**	54,261
Plant and machinery	**3,069**	3,115	**853**	180
Office equipment	**117**	207	**109**	104
Total	**109,920**	84,529	**78,283**	54,545

The details in relation to these leases are set out in note 41.

19. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents the land use rights situated in the PRC. The prepaid lease payments fall into the scope of HKFRS 16 as it meets the definition of right-of-use assets.

20. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
As at 1 January	**10,628,833**	11,839,176
Additions	**22,142**	42,177
Disposals	**(23,090)**	–
Capital contribution from controlling shareholder (note 47)	**–**	345,787
Transfer to properties under development (note 26)	**(2,207,400)**	(3,229,062)
Transfer to property, plant and equipment (note 18)	**(26,205)**	–
Gain on fair value changes recognised in profit or loss, net	**997,731**	1,265,256
Exchange realignment	**(800,652)**	365,499
As at 31 December	**8,591,359**	10,628,833

As at 31 December 2022, the Group's investment properties were situated in the PRC and Hong Kong (2021: the PRC, Hong Kong and Grenada). The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial buildings, car parking spaces, industrial properties and residential apartments, based on the nature, characteristics and risks of each property.

Fair value measurement

The Group's investment properties as at 31 December 2022 and 2021 and at the date of transfer to properties under development and property, plant and equipment were revalued based on valuations performed by Roma.

As at 31 December 2022 and at the date of transfer to properties under development and property, plant and equipment, the fair values of the investment properties, properties to be transferred to properties under development and portion of properties to be transferred to property, plant and equipment to were HK$8,591,359,000, HK$2,207,400,000, and HK$26,205,000, respectively.

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

As at 31 December 2021 and at the date of transfer to properties under development, the fair values of the investment properties and properties to be transferred to properties under development were HK$10,628,833,000 and HK$3,229,062,000 respectively.

The fair value measurements of the investment properties are categorised in Level 3. During the years ended 31 December 2022 and 2021, there were no transfers amongst different levels of fair value measurements.

As at 31 December 2022 and 2021, the fair values of the investment properties (except for Phase II of Realord Technology Park (as defined below)) were determined using the direct comparison approach by making reference to comparable transactions as available in the relevant market after applying adjusting factors to reflect the conditions and locations of the subject properties.

As at 31 December 2022 and 2021, the fair value of Phase II of Realord Technology Park (as defined below) was determined on the basis that it will be developed and completed in accordance with the Group's latest development plan. The valuation was determined by the residual method. The residual method involved calculating the GDV and deducting the estimated development costs and developer's profit.

During the year ended 31 December 2022, certain portion of a shopping arcade in Shenzhen, Guangdong Province, the PRC has been transferred to leasehold land and buildings included in property, plant and equipment at its fair value of HK$26,205,000 upon the commencement of the self-operated cinema since October 2022.

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Below is a summary of the valuation techniques and the key inputs used to the valuations of investment properties:

Investment property	Valuation technique	Significant unobservable inputs	Range 2022	Range 2021
A residential apartment in Festival City, Shatin, Hong Kong (2022: HK$13,000,000 (2021: HK$13,900,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**16,700 to 18,400**	18,300 to 19,700
		Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 100% to 117%**	Adjusting factors ranged from 101% to 110%
A residential apartment in Festival City, Shatin, Hong Kong (2022: N/A (note (c)) (2021: HK$14,000,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**N/A**	18,400 to 19,700
		Adjusting factors for variable conditions and locations	**N/A**	Adjusting factors ranged from 101% to 105%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property	Valuation technique	Significant unobservable inputs	Range 2022	Range 2021
A residential apartment in Parc Oasis, Kowloon, Hong Kong (2022: HK$14,000,000 (2021: HK$15,400,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**19,000 to 20,400**	20,100 to 22,800
		Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 98% to 112%**	Adjusting factors ranged from 103% to 104%
A residential apartment in The Riverpark, Shatin, Hong Kong (2022: HK$17,700,000 (2021: HK$18,800,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**17,700 to 21,100**	18,700 to 21,300
		Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 91% to 104%**	Adjusting factors ranged from 91% to 110%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property	Valuation technique	Significant unobservable inputs	Range 2022	Range 2021
A car parking space in Festival City, Shatin, Hong Kong (2022: HK$2,480,000 (2021: HK$2,620,000))	Direct comparison approach	Adopted price per bay determined based on comparable transactions (HK$'000)	**2,150 to 2,630**	2,560 to 2,700
		Adjusting factors for variable conditions and locations	**Adjusting factors of 100%**	Adjusting factors of 100%
A car parking space in Parc Oasis, Kowloon, Hong Kong (2022: HK$1,200,000 (2021: HK$1,300,000))	Direct comparison approach	Adopted price per bay determined based on comparable transactions (HK$'000)	**1,010 to 1,380**	1,040 to 1,680
		Adjusting factors for variable conditions and locations	**Adjusting factors of 100%**	Adjusting factors of 100%
Commercial building in Shenzhen, Guangdong Province, the PRC (2022: HK$65,060,000 (2021: HK$77,036,000))	Direct comparison approach	Adopted price per square metre determined based on comparable transactions (RMB)	**52,400 to 63,100**	61,100 to 61,600
		Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 92% to 97%**	Adjusting factors ranged from 88% to 96%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property	Valuation technique	Significant unobservable inputs	Range 2022	Range 2021
Industrial property in Shenzhen, Guangdong Province, the PRC (2022: HK$195,180,000 (2021: HK$224,995,000))	Direct comparison approach	Adopted price per square metre determined based on comparable transactions (RMB)	**7,100 to 11,300**	9,900 to 10,300
		Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 75% to 95%**	Adjusting factors ranged from 85% to 90%
Commercial building in Shenzhen, Guangdong Province, the PRC (2022: HK$1,755,503,000 (2021: HK$3,079,944,000))	Direct comparison approach	Adopted price per square metre determined based on comparable transactions (RMB)	**55,900 to 64,300**	62,000 to 69,000
		Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 84% to 88%**	Adjusting factors ranged from 91% to 96%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property	Valuation technique	Significant unobservable inputs	Range 2022	Range 2021
A shopping arcade in Shenzhen, Guangdong Province, the PRC (note (d)) (2022: HK$1,930,593,000 (2021: HK$1,377,622,000))	Direct comparison approach	Adopted price per square metre determined based on comparable transactions (RMB)	**102,000 to 127,900**	42,000 to 117,300
		Adjusting factors for variable conditions and locations	**Adjusting factors ranged from 85% to 93%**	Adjusting factors ranged from 80% to 85%
1,012 car parking spaces in Shenzhen, Guangdong Province, the PRC (2022: HK$341,005,000 (2021: HK$371,271,000))	Direct comparison approach	Adopted price per bay determined based on comparable transactions (RMB)	**330,000 to 390,000**	330,000 to 350,000
		Adjusting factors for variable conditions and locations	**Adjusting factor of 85%**	Adjusting factors ranged from 85% to 90%
Commercial building in Shenzhen, Guangdong Province, the PRC ("Phase I of Realord Technology Park") (2022: HK$2,781,883,000 (2021: HK$3,442,813,000))	Direct comparison approach	Adopted price per square metre determined based on comparable transactions (RMB)	**45,000 to 47,100**	51,200 to 52,300
		Adjusting factors for variable conditions and locations	**Adjusting factor of 90%**	Adjusting factors ranged from 83% to 90%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property	Valuation technique	Significant unobservable inputs	Range 2022	Range 2021
Commercial building in Shenzhen, Guangdong Province, the PRC ("Phase II of Realord Technology Park") (2022: HK$882,800,000 (2021: HK$1,008,810,000)) (note (a))	Residual method	GDV per square metre (RMB)	**33,000 to 73,000**	33,000 to 87,000
		GDV per bay (RMB)	**290,000**	300,000
		Estimated costs to completion (RMB)	**167 million**	155 million
		Developer's profit margin	**15%**	15%
315 car parking spaces in Shenzhen, Guangdong Province, the PRC (2022: HK$100,955,000 (2021: HK$115,535,000))	Direct comparison approach	Adopted price per bay determined based on comparable transactions (RMB)	**264,000 to 312,000**	300,000
		Adjusting factors for variable conditions and locations	**Adjusting factor of 80%**	Adjusting factors ranged from 80% to 85%
2 pieces of lands in the Parish of Saint George, Grenada (31 December 2022 (the date of transfer): HK$2,207,400,000 (2021: HK$345,787,000)) (note (b))	31 December 2022 (the date of transfer): Residual method (2021: Direct comparison method)	31 December 2022 (the date of transfer): GDV per square metre (US$)	**3,745 to 5,152**	N/A
		Estimation costs to completion (US$)	**2,735 million**	N/A
		Developer's profit margin	**10%**	N/A
		31 December 2021: Adopted price per acre determined based on comparable transactions (United States dollars ("US$"))	**N/A**	154,800 to 160,000
		Adjusting factors for variable conditions and locations	**N/A**	Adjusting factors ranged from 107% to 112%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Notes:

(a) In August 2021, the Group obtained the permit from relevant government authorities in respect of the increase in construction scale of Phase II of Realord Technology Park.

(b) The investment properties are acquired through capital contribution from controlling shareholder during the year ended 31 December 2021. Details of which are set out in note 47. Such investment properties have been transferred to properties under development on 31 December 2022 as disclosed in note 26. The valuation technique has been changed from direct comparison method as at 31 December 2021 to residual method at the date of transfer during the year ended 31 December 2022 due to the actual change in development of such properties as disclosed in note 26. The management of the Group considered that the residual method best reflected the actual use of such properties.

(c) The investment property has been disposed of during the year ended 31 December 2022.

(d) Certain portion of a shopping arcade has been transferred to leasehold land and buildings included in property, plant and equipment at its fair value of HK$26,205,000 upon commencement of self-operated cinema since October 2022.

Relationships of significant unobservable inputs to fair value are as follows:

- An increase/(decrease) in the adopted price per square meter/bay/square feet/acre would result in the same level of increase/(decrease) in the fair values of the completed investment properties;
- The higher the adjusting factor, the higher the fair values of the completed investment properties;
- The higher GDV per square meter/bay, the higher the fair value of Phase II of Realord Technology Park;
- The higher the estimated costs to completion, the lower the fair value of Phase II of Realord Technology Park; and
- The higher the developer's profit margin, the lower the fair value of Phase II of Realord Technology Park.

As at 31 December 2022 and 2021, certain investment properties of the Group were pledged to secure general banking facilities and other borrowings granted to the Group, details of which are set out in notes 38 and 39.

21. GOODWILL

	2022 HK$'000	2021 HK$'000
COST AND CARRYING AMOUNT		
As at 1 January	**320,937**	87,390
Acquisition of subsidiaries (note 46)	**–**	233,547
As at 31 December	**320,937**	320,937

The carrying amounts of goodwill and other intangible assets allocated to the CGUs as at 31 December 2022 and 2021 are as follows:

	2022 Goodwill HK$'000	2022 Other intangible assets HK$'000 (note 22)	2022 Total HK$'000	2021 Goodwill HK$'000	2021 Other intangible assets HK$'000 (note 22)	2021 Total HK$'000
Financial Services Segment						
– Type 1 license business	**2,100**	**4,400**	**6,500**	2,100	4,400	6,500
– Type 4 and Type 9 licenses business	**–**	**8,969**	**8,969**	–	8,969	8,969
– Type 1, Type 4 and Type 6 licenses business	**58,893**	**24,452**	**83,345**	58,893	27,239	86,132
Environmental Protection Segment	**26,397**	**–**	**26,397**	26,397	–	26,397
Department Store Segment	**233,547**	**7,465**	**241,012**	233,547	9,598	243,145
LAC Segment	**–**	**8,472**	**8,472**	–	–	–
	320,937	**53,758**	**374,695**	320,937	50,206	371,143

Impairment testing of goodwill and other intangible assets

Goodwill and other intangible assets acquired through business combinations are allocated to the Financial Services Segment CGUs (i.e. (i) Type 1 license business; (ii) Type 4 and Type 9 licenses business; and (iii) Type 1, Type 4 and Type 6 licenses business), Environmental Protection Segment CGU, Department Store Segment CGU and LAC Segment for impairment testing. The directors of the Company consider that the assets (including goodwill and other intangible assets allocated) of respective CGUs of Financial Services Segment for Type 1 license business and Type 4 and Type 9 licenses business and LAC Segment are insignificant to the Group. Accordingly, the details of the impairment test are not presented below.

21. GOODWILL (Continued)

Impairment testing of goodwill and other intangible assets (Continued)

The basis of the recoverable amount of the relevant CGUs and major underlying assumptions are summarised below:

Financial Services Segment (Type 1, Type 4 and Type 6 licenses business)

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 14.9% (2021: 12.4%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2021: 3.0%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of this CGU.

Environmental Protection Segment

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 23.7% (2021: 19.3%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 2.6% (2021: 2.0%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Management is not currently aware of any other possible changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount of this CGU is particularly sensitive to the growth rate applied. If the growth rate decreased by 2% (2021: 2%), an impairment loss of HK$2,926,000 (2021: HK$862,000) would be recognised.

21. GOODWILL (Continued)

Impairment testing of goodwill and other intangible assets (Continued)

Department Store Segment

The recoverable amount of this CGU has been determined based on fair value less costs of disposal with reference to the quoted market price of Sincere on the Stock Exchange as at 31 December 2022.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of this CGU.

22. OTHER INTANGIBLE ASSETS

	Trademark	Licenses	Customer relationship	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2021	22,301	21,095	–	43,396
Acquisition of subsidiaries (note 46)	10,664	–	–	10,664
Amortisation for the year	(3,854)	–	–	(3,854)
As at 31 December 2021 and 1 January 2022	29,111	21,095	–	50,206
Acquisition of subsidiaries (note 46)	–	–	14,524	14,524
Amortisation for the year	(4,920)	–	(6,052)	(10,972)
As at 31 December 2022	24,191	21,095	8,472	53,758

The other intangible assets with indefinite useful lives are tested for impairment at least annually or when there is indication of possible impairment. Details of impairment testing are set out in note 21.

23. EQUITY INSTRUMENTS AT FVTOCI

	2022	2021
	HK$'000	HK$'000
Unlisted equity investment	**–**	9,171
Other unlisted equity investments	**4,041**	3,807
	4,041	12,978

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

24. PENSION SCHEME ASSETS

The Group operates a funded final salary defined benefit pension scheme (the "Pension Scheme") for those employees who are eligible to participate in the Pension Scheme. The Pension Scheme provides lump sum benefits based on a multiple of a member's final salary and years of service upon the member's retirement, death or early retirement due to incapacity. In addition to the above, a flat pension payment equals to 50% of final salary payable over a period that is related to the member's and years of service.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The Pension Scheme is governed under a trust and is administrated by a corporate trustee with the assets held separately from those of the Group. The trustee is responsible for ensuring that the Pension Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The trustee and the Group periodically review the investment strategy and funding position. As at 31 December 2022, the investment portfolio is a mix of 31% (2021: 36%) in equity and 69% (2021:64%) in debt instruments.

The Pension Scheme is exposed to interest rate risk, investment risk and salary risk.

24. PENSION SCHEME ASSETS (Continued)

The most recent actuarial valuation to determine the present value of the defined benefit obligations of the Pension Scheme was carried out on 31 December 2022 by a firm of independent qualified professional valuer, Towers Watson Hong Kong Limited, using the projected unit credit actuarial valuation method.

(a) The principal actuarial assumptions used at the end of the reporting period are as follows:

	2022	2021
Discount rate	**3.7%**	1.2%
Expected rate of salary increase	**2.0%**	2.0%

The actuarial valuation showed that the market value of plan assets as at 31 December 2022 was HK$35,591,000 (2021: HK$42,776,000) and that the actuarial value of these assets represented 286% (2021: 217%) of the benefits that had been accrued to qualifying employees.

(b) A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

	Increase in rate %	**(Decrease)/ Increase in net defined benefit obligations HK$'000**	**Decrease in rate %**	**Increase/ (Decrease) in net defined benefit obligations HK$'000**
As at 31 December 2022				
Discount rate	**0.25**	**(142)**	**0.25**	**157**
Long-term salary increase rate	**0.25**	**148**	**0.25**	**(145)**
	Increase in rate %	(Decrease)/ Increase in net defined benefit obligations HK$'000	Decrease in rate %	Increase/ (Decrease) in net defined benefit obligations HK$'000
As at 31 December 2021				
Discount rate	0.25	(269)	0.25	250
Long-term salary increase rate	0.25	243	0.25	(237)

24. PENSION SCHEME ASSETS (Continued)

(b) A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below: (Continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

(c) The total expenses recognised in profit or loss in respect of the plan are as follows:

	2022	2021
	HK$'000	HK$'000
Current service cost	**496**	1,115
Net interest income	**(279)**	(107)
Net pension scheme cost	**217**	1,008

The above amount of the Group's net pension scheme cost was included in "administrative expenses" in the consolidated statement of profit or loss.

(d) The movements in the present value of the defined benefit obligations are as follows:

	2022	2021
	HK$'000	HK$'000
At the beginning of the year	**19,675**	–
Acquisition of subsidiaries (note 46)	**–**	38,095
Current service cost	**496**	1,115
Interest cost	**213**	192
Actuarial gains	**(2,724)**	(3,819)
Benefit paid	**(5,229)**	(15,908)
At the end of the year	**12,431**	19,675

24. PENSION SCHEME ASSETS (Continued)

(e) The movements in the defined benefit obligations and the fair value of plan assets are as follows:

		Pension cost (charged)/credited to profit or loss				Remeasurement income/(expense) in other comprehensive income						
	As at 1 January 2022 HK$'000	Service cost HK$'000	Net interest (expense)/ Income HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Contribution by employer HK$'000	As at 31 December 2022 HK$'000
Defined benefit obligations	(19,675)	(496)	(213)	(709)	5,229	-	(4)	1,831	897	2,724	-	(12,431)
Fair value of plan assets	42,776	-	492	492	(5,229)	(2,448)	-	-	-	(2,448)	-	35,591
Benefit assets/(liabilities)	23,101	(496)	279	(217)	-	(2,448)	(4)	1,831	897	276	-	23,160

			Pension cost (charged)/credited to profit or loss				Remeasurement income/(expense) in other comprehensive income						
	As at 1 January 2021 HK$'000	Acquisition of subsidiaries HK$'000 (note 46)	Service cost HK$'000	Net interest (expense)/ income HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Contribution by employer HK$'000	As at 31 December 2021 HK$'000
Defined benefit obligations	-	(38,095)	(1,115)	(192)	(1,307)	15,908	-	(1)	499	3,321	3,819	-	(19,675)
Fair value of plan assets	-	57,680	-	299	299	(15,908)	705	-	-	-	705	-	42,776
Benefit assets/(liabilities)	-	19,585	(1,115)	107	(1,008)	-	705	(1)	499	3,321	4,524	-	23,101

(f) The major categories of the fair value of the total plan assets are as follows:

	2022	2021
Equity instruments, quoted in an active market	**31%**	36%
Debt instruments, at quoted prices	**69%**	64%
Total	**100%**	100%

24. PENSION SCHEME ASSETS (Continued)

(g) Expected contributions to the defined benefit plan in future years are as follows:

	2022 HK$'000	2021 HK$'000
Within the next 12 months	–	–

The average duration of the defined benefit obligations at the end of the reporting period was 4.8 years (2021: 5.0 years).

(h) In addition to the above disclosures, the following information is further provided pursuant to the requirements of the Listing Rules:

The Group has paid contributions to the Pension Scheme at rates as recommended and calculated by the independent qualified professional actuary, Ms. Wing Lui, Fellow of the Society of Actuaries, using the attained age valuation method. The latest ongoing funding valuation and solvency funding valuation were performed as at 1 January 2023. The market value of the assets was HK$35,591,000 while the levels of funding were 268% and 375%, respectively. Based on the accrued funding status as at 1 January 2023, the Pension Scheme was fully funded. An interest rate of 2.5% per annum and a salary increase rate of 2% per annum were assumed in the valuation.

25. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	8,370	5,299
Work in progress	–	3,817
Finished goods	38,791	89,713
	47,161	98,829

26. PROPERTIES UNDER DEVELOPMENT

	2022	2021
	HK$'000	HK$'000
As at 1 January	**3,229,062**	–
Additions	**483,634**	–
Transfer from investment properties (note 20)	**2,207,400**	3,229,062
Provision	**(100,247)**	–
Exchange realignment	**(284,285)**	–
As at 31 December	**5,535,564**	3,229,062

During the year ended 31 December 2021, an industrial property in Shenzhen, Guangdong Province, the PRC ("Qiankeng Property") has been transferred from investment properties to properties under development at its fair value of HK$3,229,062,000 at the date of transfer, as the Group had become the authorised developer of the redevelopment plan (which was principally agreed by the relevant urban renewal bureau in the PRC in August 2020) since 29 January 2021 and the buildings in Qiankeng Property have been demolished by the Group in March 2021.

During the year ended 31 December 2022, 2 pieces of lands in the Parish of Saint George, Grenada has been transferred from investment properties to properties under development at its fair value of HK$2,207,400,000 at the date of transfer, upon the actual change in development of such properties since December 2022.

As at 31 December 2022 and 2021, certain of the Group's properties under development with carrying amount of HK$3,328,164,000 (2021: HK$3,229,062,000) were pledged to secure general banking facilities granted to the Group, details of which are set out in note 38.

27. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables, goods and services	**603,038**	374,669
Less: allowance for credit losses	**(32,434)**	(19,443)
	570,604	355,226
Receivables arising from securities broking conducted in the ordinary course of business:		
– Clearing house	**42,784**	3,062
– Cash clients accounts receivable	**19,711**	11,238
– Loans to margin clients	**457,211**	276,231
Less: allowance for credit losses	**(1,306)**	(88)
	518,400	290,443
Receivables arising from money lending conducted in the ordinary course of business:		
– Loan receivables	**458,927**	206,999
Less: allowance for credit losses	**(49,166)**	(16,562)
	409,761	190,437
	1,498,765	836,106

27. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES (Continued)

Trade receivables

The credit periods are generally one to three months (2021: one to three months). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At the end of the reporting period, 31% (2021: 30%) and 49% (2021: 79%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables.

The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on the invoice dates/date of rendering of services:

	2022	2021
	HK$'000	HK$'000
Current to 30 days	**121,459**	154,679
31 to 60 days	**33,946**	21,311
61 to 90 days	**36,893**	17,478
91 to 365 days	**279,807**	105,062
Over 1 year	**98,499**	56,696
	570,604	355,226

Receivables arising from securities broking

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding receivable and has procedures and policies to assess its clients' credit quality and define credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit quality.

The normal settlement term of cash clients accounts receivable arising from the ordinary course of business of securities broking is two trading days after the trade date.

27. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES (Continued)

Receivables arising from securities broking (Continued)

Loans to margin clients are secured by the underlying pledged securities, repayable on demand or agreed dates of repayment and bear fixed interest at commercial rates with a range from 5% to 20.625% (2021: 5% to 20%). As at 31 December 2022, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$2,731,092,000 (2021: HK$2,186,119,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the amount of receivable outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2022, 91% (2021: 99%) of the balance were secured by sufficient collaterals on an individual basis. Management has assessed the market value of the pledged securities of each individual customer that has margin shortfall as at the year end. The collaterals held cannot be repledged by the Group. The corresponding collaterals held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients in the event of default.

No ageing analysis of clearing house, cash clients accounts receivable and loans to margin clients is disclosed as, in the opinion of the directors of the Company, the ageing analysis is not meaningful in view of the nature of the receivable from clearing house, cash clients accounts receivable arising from securities broking and the revolving margin loans.

Loan receivables

Loan receivables are unsecured, repayable on agreed dates of repayment within one year (2021: one year) and bear fixed interest at commercial rates with a range from 8.5% to 12% (2021: 8.5% to 12%).

No ageing analysis of loans to money lending clients is disclosed as in the opinion of the directors of the Company, the ageing analysis is not meaningful in view of the nature of the money lending loans.

Details of impairment assessment of trade receivables, receivables arising from securities broking and loan receivables for the years ended 31 December 2022 and 2021 are set out in note 55(b).

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Prepayments for purchase of inventories	**16,015**	69,888
Deposit paid for acquisition of property, plant and equipment	**4,484**	6,462
Refundable rental deposits	**47,463**	52,800
Other prepayments, deposits and receivables	**100,567**	82,653
Other receivables from a local government authority (note (a))	**108,704**	116,045
Purchased or originated credit-impaired loan receivables (note (b))	**98,194**	99,587
Gift receivable from Win Dynamic (note 49)	**174,401**	158,870
	549,828	586,305
Classified as:		
– current assets	**343,906**	405,167
– non-current assets	**205,922**	181,138
	549,828	586,305

Notes:

(a) The amounts represent receivables due from a local government authority in the PRC in respect of sales of properties before the acquisition of subsidiaries in 2018. Management believes that no impairment loss is necessary in respect of this balance as the amount is still considered to be fully recoverable taken into account of the repayment history and the current creditworthiness of the debtor.

(b) The amounts represent three (2021: three) credit-impaired loan receivables purchased from a bank in the PRC at an aggregate cash consideration of RMB72,827,000 (2021: RMB72,827,000). Legal proceedings had been entered into between the Group, the bank and the original debtors regarding the recoverability of the credit-impaired loan receivables and it was judged that the pledged properties could be used for auctions to repay the outstanding loans and interests. The loan receivables are carried at contractual interest rate from 8.5% to 9.3% (2021: 8.5% to 9.3%) per annum and the Group has applied the credit-adjusted effective interest rate from 8.5% to 9.3% (2021: 8.5% to 9.3%) to the amortised cost of the financial assets from initial recognition. It only recognises the cumulative changes in lifetime ECL since initial recognition as allowance for credit losses.

During the years ended 31 December 2022 and 2021, no impairment loss has been recognised in profit or loss under the lifetime ECL assessment.

29. PROPOSED DEVELOPMENT PROJECT

The carrying amount of proposed development project represents the difference between the consideration paid and the net assets acquired in the acquisition of assets through acquisition of Shenzhen Yousheng Real Estate Co., Ltd. (深圳市友盛地產有限公司) ("Shenzhen Yousheng") in 2019 and the construction cost incurred after 2019. The amount would be converted into properties under development upon obtaining the land use right.

As at 31 December 2022, the Group's proposed development project was pledged to secure general banking facilities granted to the Group, details of which are set out in note 38.

30. FINANCIAL ASSETS AT FVTPL

	2022	2021
	HK$'000	HK$'000
Club and school debentures	**13,185**	13,991
Listed equity investments	**56,662**	64,906
Other investments	**1,382**	2,309
	71,229	81,206

The above investments as at 31 December 2022 and 2021 were classified as financial assets at FVTPL as they were held for trading.

As at 31 December 2022 and 2021, certain investments held for trading of the Group were pledged to secure general banking facilities and other borrowings granted to the Group, details of which are set out in notes 38 and 39.

31. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities clients' monies arising from its securities brokerage business. The Group has classified the clients' monies as "cash held on behalf of clients" under the current assets and recognised the corresponding liabilities to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

32. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates. Short-term time deposits are made for a period of few days to meet the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit interest rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

Certain bank balances are denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

33. ASSET CLASSIFIED AS HELD FOR SALE

	2022	2021
	HK$'000	HK$'000
Financial asset at FVTOCI:		
Unlisted equity investment	**–**	26,646

In January 2021, the Group is seeking to dispose one of its unlisted equity investment classified as financial asset at FVTOCI with an independent third party of the Group. As a result, such unlisted equity investment has been classified as asset classified as held for sale accordingly. Such unlisted equity investment has been full disposed of during the year ended 31 December 2022.

34. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	2022	2021
	HK$'000	HK$'000
Trade payables	**97,100**	54,926
Payables arising from securities broking conducted in the ordinary course of business:		
– Cash and margin clients accounts payable	**129,102**	148,176
	226,202	203,102

The credit period of trade payables ranges from 60 to 90 days (2021: 60 to 90 days). The normal settlement terms of payables arising from securities broking are two trading days (2021: two trading days) after the trade date.

34. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

The following is an ageing analysis of trade payables based on invoice dates:

	2022 HK$'000	2021 HK$'000
Current to 30 days	**77,281**	40,772
31 to 60 days	**3,992**	938
61 to 90 days	**1,003**	766
Over 90 days	**14,824**	12,450
	97,100	54,926

Included in cash clients accounts payable is cash held on behalf of clients amounted to HK$126,742,000 (2021: HK$143,835,000), which represented those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2022, the cash clients accounts payable included an amount of HK$114,000 (2021: HK$114,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non-interest bearing. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

35. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Current		
Printing services contract (note (a))	**2,822**	1,670
Receipts in advance from customers (note (b))	**19,268**	9,394
Loyalty points programme (note (c))	**1,321**	2,119
Deposits received for sale of properties (note (d))	**27,456**	–
Pre-sale of tickets	**69**	–
	50,936	13,183

35. CONTRACT LIABILITIES (Continued)

Notes:

(a) When the Group receives a deposit before the printing activity commences, this will give rise to contract liabilities at the inception of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 20% (2021: 20%) deposit on acceptance of provision for certain printing services. At contract inception, performance obligation is expected to be satisfied within one year.

(b) The amount represents receipts in advance from customers of Environmental Protection Segment for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts. At contract inception, performance obligation is expected to be satisfied within one year.

(c) The performance obligation is satisfied upon utilisation of loyalty points of Department Store Segment. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative standalone selling price. The transaction price of HK$1,321,000 (2021: HK$2,119,000) was allocated to the remaining performance obligations as at 31 December 2022 which are expected to be recognised as revenue within one year.

(d) The amount represents receipts in advance from customers of LAC segment for unsatisfied performance obligation of sales of properties. Such amount will be recognised when the Group performs its obligation upon transfer of title of the properties under the sales contracts. At contract inception, performance obligation is expected to be satisfied within two years. The directors of the Company considered the financial component is insignificant.

(e) Contract liabilities outstanding at the beginning of the year amounted to HK$13,183,000 (2021: HK$35,743,000) have been recognised as revenue during the year ended 31 December 2022.

36. INSURANCE CONTRACTS LIABILITIES

(a) Life insurance contracts liabilities

	Notes	**2022** **HK$'000**	2021 HK$'000
Life reserve	(i)	**1,026**	1,046
Provision for claims	(ii)	**128**	128
		1,154	1,174

36. INSURANCE CONTRACTS LIABILITIES (Continued)

(a) Life insurance contracts liabilities (Continued)

Notes:

(i) Life reserve is analysed as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**1,046**	–
Acquisition of subsidiaries (note 46)	**–**	1,165
Decrease in the year	**(20)**	(119)
At the end of the year	**1,026**	1,046

(ii) The provision for claims of life insurance contracts is analysed as follows:

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**128**	–
Acquisition of subsidiaries (note 46)	**–**	128
At the end of the year	**128**	128

(b) Terms and conditions

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts offered by the Group are whole life contracts. Whole life contracts are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The main risk that the Group is exposed to is mortality risk - risk of loss arising due to policy holder death experience being different than expected. This risk does not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

36. INSURANCE CONTRACTS LIABILITIES (Continued)

(c) Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Discount rates

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

37. OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Deferred consideration for acquisition of a subsidiary (note)	**48,000**	47,162
Accrued expenses	**190,502**	53,770
Other payables	**84,403**	20,310
Deposits received	**2,008**	6,948
Other tax payables	**65,892**	49,198
	390,805	177,388
Classified as:		
– current liabilities	**383,685**	172,725
– non-current liabilities	**7,120**	4,663
	390,805	177,388

Note: On 30 April 2019, the Group completed an acquisition of 60% equity interests in Optima Capital Limited ("Optima Capital"), an indirect non-wholly owned subsidiary of the Company. Based on the acquisition agreement, part of the consideration amounting to HK$48,000,000 (the "deferred consideration") will be paid on the third anniversary of the completion date of the acquisition, i.e. 30 April 2022.

As at 31 December 2022, the balance was unsecured, non-interest bearing and repayable on demand.

38. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank borrowings		
– Secured	**9,910,804**	6,902,234
– Unsecured	**–**	3,576,690
	9,910,804	10,478,924

38. BANK BORROWINGS (Continued)

The contractual maturity dates of the bank borrowings are as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount of bank borrowings are repayable (note (d)):		
– Within one year	**4,846,640**	134,553
– More than one year but not more than two years	**2,749,012**	5,261,756
– More than two years but not more than five years	**557,469**	3,248,117
– Over five years	**1,237,404**	1,457,845
	9,390,525	10,102,271
Carrying amount of bank borrowings that contains a repayment on demand clause and shown under current liabilities:		
– Within one year	**520,279**	376,653
	9,910,804	10,478,924
Less: amounts due within one year shown under current liabilities	**(5,366,919)**	(511,206)
Amounts shown under non-current liabilities	**4,543,885**	9,967,718

Notes:

(a) As at 31 December 2022, the Group's bank borrowings of HK$520,279,000 (2021: HK$376,653,000) bear interest rates ranged from 1.50% to 2.60% (2021: 1.25% to 2.50%) over Hong Kong Interbank Offered Rate ("HIBOR") per annum.

(b) As at 31 December 2022, the Group's bank borrowing of HK$223,045,000 (2021: HK$228,815,000) bears interest rate of 2.85% (2021: 2.85%) below Prime Rate per annum.

(c) As at 31 December 2022, the Group's bank borrowings of HK$9,167,480,000 (2021: HK$9,873,456,000) bear interest rates from 4.46% to 6.85% (2021: 4.93% to 5.62%) per annum.

(d) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(e) The Group's available banking facilities amounted to HK$10,958,908,000 (2021: HK$11,598,495,000), of which HK$9,910,804,000 (2021: HK$10,478,924,000) had been utilised as at 31 December 2022.

(f) Certain bank borrowings of the Group were guaranteed by the Company up to HK$9,106,954,000 (2021: HK$10,096,429,000) and the subsidiaries of the Group up to HK$8,756,918,000 (2021: HK$9,405,274,000).

38. BANK BORROWINGS (Continued)

Notes: (Continued)

(g) Certain bank borrowings of the Group were secured by certain of the Group's investment properties, leasehold land and buildings, properties under development and proposed development project with a carrying amount of HK$8,511,979,000 (2021: HK$10,184,027,000), HK$556,738,000 (2021: HK$562,371,000), HK$3,328,164,000 (2021: HK$3,229,062,000) and HK$2,016,712,000 (2021: Nil) respectively as at 31 December 2022.

(h) Certain bank borrowings of the Group were secured by securities collateral pledged to the Group by margin clients with market value of HK$400,674,000 (2021: HK$359,301,000), the Group's marketable securities with an aggregate fair value of HK$2,181,000 (2021: HK$3,432,000) and shares of certain subsidiaries.

(i) Certain bank borrowings of the Group were secured by the Group's restricted bank balances and deposits of HK$84,276,000 (2021: HK$102,153,000).

(j) Certain bank borrowings of the Group were guaranteed by the directors and controlling shareholders of the Company up to HK$9,592,413,000 (2021: HK$10,093,099,000) and the related parties of the Group up to HK$230,526,000 (2021: HK$9,171,000).

(k) Except for bank borrowings of HK$9,167,480,000 (2021: HK$9,873,456,000) which are denominated in RMB, all other bank borrowings are denominated in HK$.

39. OTHER BORROWINGS

	2022	2021
	HK$'000	HK$'000
Borrowings from financial institutions (note (a)):		
– Secured	**57,890**	–
Other borrowings (note (b)):		
– Secured	**73,000**	–
– Unsecured	**2,795**	2,740
Notes payable (note (c)):		
– Unsecured	**105,754**	–
	239,439	2,740

39. OTHER BORROWINGS (Continued)

The contractual maturity dates of the other borrowings are as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount of other borrowings are repayable:		
– Within one year	**108,001**	–
– More than one year but not more than two years	**548**	537
	108,549	537
Carrying amount of other borrowings that contains a repayment on demand clause and shown under current liabilities		
– Within one year	**130,890**	2,203
	239,439	2,740
Less: amounts due within one year shown under current liabilities	**(238,891)**	(2,203)
Amounts shown under non-current liabilities	**548**	537

Notes:

(a) The borrowings from financial institutions bear interest rate of 2.5% over Best Lending Rate (2021: Nil) per annum. The borrowings contain a repayment on demand clause and were guaranteed by the Company up to HK$57,890,000 (2021: Nil) and were secured by the Group's investment properties with a carrying amount of HK$79,380,000 (2021: Nil) as at 31 December 2022.

(b) Included in other borrowings are

(i) unsecured borrowings of HK$2,795,000 (2021: HK$2,740,000), which bear interest of 2% (2021: 2%) per annum and repayable on demand, except for an amount of HK$548,000 (2021: HK$537,000) which is not repayable in the next 12 months after the end of the reporting period; and

(ii) secured borrowings of HK$73,000,000 (2021: Nil) under repurchase agreement, which the Group is required to repurchase the pledged securities at pre-determined date and interest rates within 12 months from the end of the reporting period. Such borrowings are pledged with the securities from the margin clients with market value of HK$149,560,000 (2021: Nil).

(c) The notes payable is unsecured, bears interest rate from 4.6% to 5.5% (2021: Nil) per annum and repayable in the next 12 months after the end of the reporting period.

40. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2022	2021
	HK$'000	HK$'000
Amounts due from related parties (note (a))	**1,703**	1,598
Amount due to a related party (note (a))	**(48,502)**	(79,877)
Amounts due to related parties (note (b))	**(217,994)**	(29,361)
Loans from a related company (note (c))	**(187,000)**	–
	(453,496)	(109,238)
	(451,793)	(107,640)

Notes:

(a) Amounts due are unsecured, interest-free and repayable on demand.

(b) Amounts due are unsecured, interest-bearing at 8% per annum (2021: 8%) and repayable on demand.

(c) The loan from a related company, in which Dr. Lin and Madam Su own 70% and 30% equity interests respectively, is unsecured, bears interest at HIBOR plus 5% (2021: Nil) per annum and is repayable 6 months after the drawdown date and the repayment of loan principal can be redrawn.

41. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Total minimum lease payments:		
– Due within one year	**72,936**	67,769
– Due in the second to the fifth years	**47,260**	45,375
	120,196	113,144
Less: future finance charges on lease liabilities	**(4,280)**	(7,807)
Carrying amount of lease liabilities	**115,916**	105,337
Present value of minimum lease payments:		
– Due within one year	**69,466**	62,294
– Due in the second to the fifth years	**46,450**	43,043
	115,916	105,337
Less: portion due within one year included under current liabilities	**(69,466)**	(62,294)
Portion due after one year included under non-current liabilities	**46,450**	43,043

Note: During the year ended 31 December 2022, the total cash outflows for the leases are HK$120,792,000 (2021: HK$85,482,000).

41. LEASE LIABILITIES (Continued)

Details of the lease activities **(Continued)**

As at 31 December 2022 and 2021, the Group has entered into leases for office equipment, plant and machinery, warehouse and department stores.

Type of right-of-use asset	Consolidated financial statements item of right-of-use asset included in	Number of lease	Range of Remaining lease term	Number of lease with extension option	Number of lease with option to purchase	Number of lease with termination option
As at 31 December 2022						
Land and buildings carried at cost	Property, plant and equipment	**11**	**0.2 to 3 years**	**3**	**1**	**6**
Plant and machinery	Property, plant and equipment	**8**	**1 to 4 years**	**–**	**8**	**–**
Office equipment	Property, plant and equipment	**1**	**1 year**	**–**	**–**	**–**
As at 31 December 2021						
Land and buildings carried at cost	Property, plant and equipment	15	1 to 2 years	4	2	6
Plant and machinery	Property, plant and equipment	7	2 to 5 years	–	6	–
Office equipment	Property, plant and equipment	1	2 years	–	–	–

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

42. DEFERRED TAX LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2021	855	913,801	(470)	379	914,565
(Credited)/Charged to profit or loss (note 11)	(2)	309,721	182	(1,870)	308,031
Credited to other comprehensive income	–	(258)	–	–	(258)
Acquisition of subsidiaries (note 46)	–	–	–	1,780	1,780
Exchange realignment	–	32,204	–	–	32,204
As at 31 December 2021 and 1 January 2022	**853**	**1,255,468**	**(288)**	**289**	**1,256,322**
(Credited)/Charged to profit or loss (note 11)	**(2)**	**(233,795)**	**–**	**(9,026)**	**(242,823)**
Charged to other comprehensive income	**–**	**785**	**–**	**–**	**785**
Acquisition of subsidiaries (note 46)	**–**	**–**	**–**	**2,397**	**2,397**
Exchange realignment	**–**	**(103,939)**	**–**	**57**	**(103,882)**
As at 31 December 2022	**851**	**918,519**	**(288)**	**(6,283)**	**912,799**

At the end of the reporting period, the Group has estimated unused tax losses arising in Hong Kong of HK$379,999,000 (2021: HK$356,833,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated unused tax losses arising in the PRC of HK$1,303,964,000 (2021: HK$1,727,370,000) that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has been recognised in respect of tax losses of HK$1,745,000 (2021: HK$1,745,000) arising in Hong Kong as at 31 December 2022. Deferred tax assets have not been recognised in respect of the remaining unused tax losses as they have arisen in subsidiaries that have been loss-making and, in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised due to the unpredictability of future profit streams.

42. DEFERRED TAX LIABILITIES (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of the temporary difference attributable to the accumulated profits of the Group's subsidiaries in the PRC as the Group is able to control the timing of the reversal of the temporary difference and it is probable that these temporary difference will not reverse in the foreseeable future.

43. LOANS FROM ULTIMATE HOLDING COMPANY

	2022	2021
	HK$'000	HK$'000
Loans from ultimate holding company	**2,394,760**	1,127,196

The loans are unsecured, interest-bearing at 8.2% (2021: 8.2%) per annum and will be repayable in June 2024 (2021: June 2023).

44. SHARE CAPITAL

	2022	2021
	HK$'000	HK$'000
Authorised:		
20,000,000,000 (2021: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,440,709,880 (2021: 1,439,709,880) ordinary shares of HK$0.10 each	**144,071**	143,971

44. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares in issue	Share capital HK$'000
As at 1 January 2021	1,438,209,880	143,821
Exercise of share options (note (a))	1,500,000	150
As at 31 December 2021 and 1 January 2022	1,439,709,880	143,971
Exercise of share options (note (b))	1,000,000	100
As at 31 December 2022	1,440,709,880	144,071

Notes:

(a) On 24 September 2021 and 29 December 2021, the Company issued 1,000,000 and 500,000 ordinary shares, respectively, due to the exercise of share options under the 2012 Scheme (as defined in note 45) by the option holders. The new shares rank pari passu with existing shares in all respects.

(b) On 25 April 2022, the Company issued 1,000,000 ordinary shares due to the exercise of share options under the 2012 Scheme (as defined in note 45) by the option holders. The new shares rank pari passu with existing shares in all respects.

45. SHARE OPTION SCHEME

The Company operates a share option scheme (the "2012 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2012 Scheme include the Company's directors and full-time employees of the Group. The 2012 Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

By an ordinary resolution passed at annual general meeting of the Company on 10 June 2022, a new share option scheme (the "2022 Scheme") has been adopted which effective from 10 June 2022 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

45. SHARE OPTION SCHEME (Continued)

The maximum number of share options currently permitted to be granted under the 2012 Scheme and 2022 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the 2022 Scheme on 10 June 2022, which is 143,970,988 shares (2021: 63,535,311 shares under the 2012 Scheme). The maximum number of shares issuable under share options to each eligible participant in the 2012 Scheme and 2022 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted under 2012 Scheme and 2022 Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted under 2012 Scheme and 2022 Scheme to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, (i) in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant); and (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under 2012 Scheme and 2022 Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted under 2012 Scheme and 2022 Scheme is determinable by the directors of the Company, and commences after a vesting period of 2 years and ends on a date which is not later than 10 years from the date of the grant of the option but subject to the provisions for early termination of the 2012 Scheme and 2022 Scheme. Unless otherwise determined by the directors of the Company at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options under 2012 Scheme and 2022 Scheme is determinable by the directors of the Company, but may not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of offer of the share options; (ii) the average closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the share at the offer date.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

45. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the 2012 Scheme during the year:

	Weighted average exercise price per share HK$	Number of options '000
As at 1 January 2021	4.11	7,800
Exercised during the year	4.11	(1,500)
Forfeited during the year	4.11	(1,700)
As at 31 December 2021 and 1 January 2022	4.11	4,600
Exercised during the year	**4.11**	**(1,000)**
As at 31 December 2022	**4.11**	**3,600**
Exercisable as at 31 December 2022		**3,600**
Exercisable as at 31 December 2021		4,600

At the end of the reporting period and the date of approval of these consolidated financial statements, the Company had 3,600,000 (2021: 4,600,000) share options outstanding under the 2012 Scheme, which represented 0.2% (2021: 0.3%) of the Company's shares in issue as at that date.

During the year ended 31 December 2022, there was no share option granted, exercised, lapsed or cancelled under the 2022 Scheme.

46. BUSINESS COMBINATIONS

For the year ended 31 December 2022

On 18 February 2022, non-wholly owned subsidiaries of the Group entered into a share purchase agreement and share transfer agreement with independent third parties to acquire the entire issued share capital of Realord Century Service Company Limited (formerly known as "Hartman Education Service Limited") and its subsidiary, Hartman Culture Development (Shanghai) Co., Ltd.* (哈特曼文化發展(上海)有限公司) (collectively referred to the "Realord Century Group") and Realord Century Business Service (Shenzhen) Co., Ltd.* (偉祿世紀商務服務(深圳)有限公司) (formerly known as Hartman Immigration Consultancy Service (Shenzhen) Co., Ltd.* (哈特曼移民諮詢服務(深圳)有限公司)) (together with the Realord Century Group as the "Hartman Education Group") at a total cash consideration of HK$1,876,000. The principal activities of the Hartman Education Group are the provision of consultancy services on CBI Programme as a marketing agent. The acquisition was made as to obtain the marketing resources of the CBI Programme under the LAC Segment. The transactions were completed on 28 February 2022. Such series of acquisitions have been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of the Hartman Education Group at the acquisition date were as follows:

	HK$'000
Plant and equipment (note 18)	231
Other intangible assets (note 22)	14,524
Prepayments, deposits and other receivables	485
Bank balances and cash	470
Other payables and accruals	(11,437)
Deferred tax liabilities (note 42)	(2,397)
Total identifiable net assets at fair value	1,876

* *for identification purpose only*

46. BUSINESS COMBINATIONS (Continued)

For the year ended 31 December 2022 (Continued)

Goodwill arising on acquisition

	HK$'000
Consideration transferred	1,876
Less: fair value of net identifiable assets acquired	(1,876)
	–

Net cash outflows on acquisition

	HK$'000
Bank balances and cash acquired	470
Less: cash consideration paid	(1,876)
	(1,406)

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as administrative expenses in the consolidated statement of profit or loss. In the opinion of the directors of the Company, the acquisition-relation cost is insignificant to be disclosed.

Impact of the acquisition on the results of the Hartman Education Group

Included in the profit for the year ended 31 December 2022 is profit of HK$4,040,000 attributable to the Hartman Education Group. Revenue for the year ended 31 December 2022 includes HK$5,936,000 generated from the Hartman Education Group.

Had the acquisition of the Hartman Education Group completed on 1 January 2022, the revenue and the profit of the Group for the year ended 31 December 2022 would have been HK$1,198,810,000 and HK$605,107,000 respectively. The pro forma information is illustrative purposes only and is not necessarily an indication of revenue and profit for the year of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

46. BUSINESS COMBINATIONS (Continued)

For the year ended 31 December 2021

Acquisition of the Sincere Group

On 18 May 2021, the Group completed an acquisition of 79.51% equity interests in The Sincere Company, Limited ("Sincere") (Stock code: 244) and its subsidiaries ("Sincere Group") from the independent third parties, for total cash consideration of HK$411,088,000. The acquisition has been accounted for using the acquisition method.

The principal activities of Sincere Group mainly consisted of the operation of department stores, securities trading, sublease of properties and the provision of general and life insurances. The acquisition was made as part of the Group strategy to diversify its business and tap into the department store business in Hong Kong.

The fair values of the identifiable assets and liabilities of the Sincere Group at the acquisition date were as follows:

	HK$'000
Property, plant and equipment (note 18)	224,539
Other intangible assets (note 22)	10,664
Equity instruments at FVTOCI (note 55(c))	29,625
Pension scheme assets (note 24)	19,585
Inventories	42,618
Trade receivables	1,200
Financial assets at FVTPL	12,863
Prepayments, deposits and other receivables	40,926
Restricted bank balances and deposits	102,039
Bank balances and cash	112,260
Trade payables	(32,774)
Contract liabilities	(618)
Insurance contracts liabilities (note 36)	(1,293)
Other payables and accruals	(47,843)
Bank borrowings	(151,166)
Other borrowings	(154,693)
Lease liabilities (note 53)	(83,876)
Deferred tax liabilities (note 42)	(1,780)
Total identifiable net assets at fair value	122,276

46. BUSINESS COMBINATIONS (Continued)

For the year ended 31 December 2021 (Continued)

Acquisition of the Sincere Group (Continued)

Goodwill arising on acquisition

	HK$'000
Consideration transferred	**411,088**
Add: non-controlling interests (note)	**94,736**
Less: gift receivable from Win Dynamic (note 49)	**(150,001)**
Less: fair value of identifiable net assets acquired	**(122,276)**
Goodwill	**233,547**

Note: The non-controlling interests arising from the acquisition of the Sincere Group comprised of (i) the proportionate share of the fair value of the acquiree's identifiable net assets at the acquisition date amounting to HK$272,277,000; and (ii) the non-controlling interests of the Sincere Group at the date of the acquisition.

Goodwill arose in the acquisition of Sincere Group because the cost of the combination included a control premium.

Acquisition-related costs amounting to HK$14,550,000 have been excluded from the consideration transferred and have been recognised as administrative expenses in the consolidated statement of profit or loss.

Net cash outflows on acquisition

	HK$'000
Bank balances and cash acquired	**112,260**
Less: cash consideration paid	**(411,088)**
	(298,828)

46. BUSINESS COMBINATIONS (Continued)

For the year ended 31 December 2021 (Continued)

Acquisition of the Sincere Group (Continued)

Impact of the acquisition on the results of the Sincere Group

Included in the profit for the year ended 31 December 2021 was a loss of HK$30,661,000 incurred by the Sincere Group. Revenue for the year ended 31 December 2021 included HK$95,044,000 generated from the Sincere Group.

Had the acquisition of the Sincere Group completed on 1 January 2021, the revenue and the profit of the Group for the year ended 31 December 2021 would have been HK$1,358,012,000 and HK$63,372,000 respectively. The pro forma information was illustrative purposes only and was not necessarily an indication of revenue and profit for the year of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

Partial disposal of equity interest in subsidiaries without loss of control

In addition, the placing was completed on 30 July 2021 and following the completion, the number of shares of Sincere held by the Group decreased from 1,044,695,362 shares to 985,471,362 shares, representing a decrease of shareholding from 79.51% to 75.00% of the total number of issued shares of Sincere.

The Group disposed of its 4.51% equity interest in Sincere at a consideration of HK$33,853,000 while remaining the control over Sincere immediately after such disposal. The carrying amount of the non-controlling interests in Sincere on the date of disposal was HK$94,513,000. Accordingly, the Group recognised an increase in non-controlling interests of HK$9,371,000 and an increase in capital reserve of HK$24,482,000. The effect of changes in the ownership interest in Sincere is summarised as follows:

	HK$'000
Consideration received from non-controlling interests	**33,853**
Less: carrying amount of the 4.51% equity interest to be disposed of	**(9,371)**
Gain on disposal recognised within the equity	**24,482**

46. BUSINESS COMBINATIONS (Continued)

For the year ended 31 December 2021 (Continued)

Acquisition of the Sincere Group (Continued)

Effect of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2021

	HK$'000
Total comprehensive income for the year attributable to owners of the Company	**368,069**
Changes in equity attributable to owners of the Company arising from the partial disposal of equity interest in subsidiaries without loss of control	**24,482**
Net effect for transactions with non-controlling interests on changes in equity attributable to owners of the Company	**392,551**

47. CAPITAL CONTRIBUTION FROM CONTROLLING SHAREHOLDER

On 31 December 2021, Dr. Lin and the Company entered into a deed of gift, pursuant to which, Dr. Lin had irrevocably undertaken to transfer to the Group and the Group had agreed to accept, the gift interest of being 70.5% equity interests in Caribbean Education Industry Group Limited and its subsidiaries (collectively referred to as the "Caribbean Group") from Dr. Lin at nil consideration. Caribbean Group is principally engaged in property development in Grenada.

The Caribbean Group did not carry out any significant business transactions prior to the date of acquisition and only owned two pieces of lands situated in Grenada. Therefore, the Group considered such acquisition would be an acquisition of assets in substance and the corresponding amount of the net assets acquired by the Group would be recognised as "capital contribution from controlling shareholder" in equity.

The non-controlling interests recognised at the acquisition date are measured by reference to the proportionate share of the carrying amount of the Caribbean Group.

Further details are set out in the announcements of the Company dated 1 December 2021 and 31 December 2021.

47. CAPITAL CONTRIBUTION FROM CONTROLLING SHAREHOLDER (Continued)

The carrying amount of assets acquired at the date of acquisition was as follows:

	HK$'000
Property, plant and equipment (note 18)	1,997
Investment properties (note 20)	345,787
Prepayments, deposits and other receivables	8,712
Amounts due from related parties	1,006
Bank balances and cash	1,146
Other payables and accruals	(10,942)
Amounts due to related parties (note 53)	(19,628)
Lease liabilities (note 53)	(1,996)
	326,082
Less: non-controlling interests	(97,189)
Net assets acquired	228,893

Net cash inflows on acquisition

	HK$'000
Bank balances and cash acquired	1,146

48. CONTINGENT LIABILITIES

Claim from former director of Sincere

As set out in the announcement of Sincere dated 11 June 2021, Sincere received a statutory demand (the "Statutory Demand") dated 4 June 2021 from the legal adviser acting on behalf of Mr. Philip Ma, the former chairman, chief executive officer and director of Sincere, pursuant to Section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding Sincere to pay the amount of HK$8,244,000, which is asserted to be outstanding remunerations under an employment contract due to Mr. Philip Ma, within 21 days from the date of service of the Statutory Demand, failing which Mr. Philip Ma may present a winding up petition against Sincere.

48. CONTINGENT LIABILITIES (Continued)

Claim from former director of Sincere (Continued)

As disclosed in the announcement of Sincere dated 23 June 2021, Sincere has sought legal advice in respect of the Statutory Demand and was advised that the Statutory Demand is a nullity. Sincere was also advised that it has a bona fide dispute to the sum demanded by Mr. Philip Ma. Sincere had, through its legal advisers, requested Mr. Philip Ma to (i) withdraw the Statutory Demand; and (ii) undertake not to issue any winding-up petition against Sincere in reliance on the Statutory Demand.

On 21 June 2021, Sincere received a Forms of Claim dated 17 June 2021 by Mr. Philip Ma with the Labour Tribunal (the "LBTC Claim"). According to the said Form of Claim, Mr. Philip Ma claims against Sincere for unpaid director's fees and management fees allegedly due from four subsidiaries of Sincere in the total sum of approximately HK$8,244,000, which is the same amount as that demanded by him in the Statutory Demand. Sincere further received a letter from Mr. Philip Ma's legal advisers on 21 June 2021 stating that Mr. Philip Ma will not present a winding-up petition against Sincere in respect of the alleged outstanding remunerations stated in the Statutory Demand pending the determination of the Labour Tribunal.

Call-over hearings in respect of the LBTC Claim were held at the Labour Tribunal on 8 July 2021 and 1 November 2021. Mr. Philip Ma increased his claim in the LBTC Claim to include additional claims that Sincere owed him an alleged partial unpaid director's fees for the year ended 31 December 2022 and payment in lieu of annual leave entitlement; and in respect of the certain subsidiaries of Sincere, Mr. Philip Ma also included his claim for director's fees and management fees for the period between March to June 2021 and certain entertainment allowance.

The LBTC Claim was subsequently transferred to Court of First Instance of the High Court of Hong Kong, in which Mr. Philip Ma claimed a total sum of approximately HK$12,064,000 by including the additional claims in the aforesaid paragraph and subsequently revised the claims to approximately HK$12,442,000. Sincere has instructed its legal advisers to defend Mr. Philip Ma's claims and make a counterclaim with a total sum of approximately HK$71,600,000 in the High Court. In the High Court proceedings, exchange of pleadings has taken place and further procedural directions are expected to be made by the Court in April 2023. The case has not yet been fixed for trial.

49. LITIGATION

Deed and purported cancellation

On 29 October 2020, Win Dynamic, the then controlling shareholder of Sincere, executed a deed in favour of Sincere at no consideration (the "Deed"). Pursuant to the Deed, Win Dynamic has irrevocably undertaken to Sincere to gift to Sincere the sum falling to be paid by the Company to Win Dynamic upon its acceptance of the Offer relating to all the 662,525,276 shares of Sincere held by it, which was expected to amount to approximately HK$260,443,000 (after deducting Win Dynamic's ad valorem stamp duty). As disclosed in the announcement of Sincere dated 29 October 2020, Sincere at that time intended that this gift from Win Dynamic, when received, would be applied as working capital of Sincere Group.

On 4 February 2021, Sincere announced that the board of directors of Sincere (the "Sincere Board") had received a letter from Win Dynamic dated 3 February 2021 stating Win Dynamic's declaration that the Deed was null and void and cancelled with immediate effect, for the reason that it was executed by Win Dynamic under undue influence and duress, given without separate legal representation or proper advice, and was an undervalue transaction pursuant to section 265D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Purported Cancellation").

As stated in the Sincere's announcement dated 4 February 2021, the Sincere Board (with Mr. Philip Ma and Mr. Charles M W Chan (collectively the "Dissenting Directors") disagreeing) did not admit that the Deed was null or void or had been cancelled. For the interest of Sincere and its shareholders as a whole, the Sincere Board had resolved to include the review of the implication of the Purported Cancellation to the term of reference of the independent committee of the Sincere Board comprising independent non-executive directors, namely Mr. King Wing Ma, Mr. Eric K K Lo, Mr. Peter Tan and Mr. Anders W L Lau (collectively the "Sincere IBC"). The Sincere IBC had thereafter sought separate legal advice in respect of the Purported Cancellation.

In response to a letter from the legal adviser of the Sincere IBC to Win Dynamic requesting for evidence to support its reason for the Purported Cancellation, Win Dynamic responded in its reply letter that its professional adviser had advised it not to provide to Sincere any information relating to the Deed.

49. LITIGATION (Continued)

Deed and purported cancellation (Continued)

The Company was informed, amongst other things, that the Sincere Board (except for the Dissenting Directors) (i.e. the Sincere IBC) did not admit that the Purported Cancellation was valid or effective. In response to an email from the legal adviser of the Sincere IBC to the legal adviser of the Company requiring the proceeds received by Win Dynamic from its sale of shares of Sincere to the Company to be paid to Sincere and not Win Dynamic, the legal adviser of the Company responded, amongst other things, that the Company would conduct the Offer, including but not limited to the settlement of the cash consideration for the valid acceptances of the Offer, in accordance with the terms and conditions of the Offer and in compliance with the Code on Takeovers and Mergers.

On 12 May 2021, Sincere was informed by the legal adviser of the Company that the Company had issued a writ of summons with an indorsement of claim (the "Writ") in the High Court of the Hong Kong Special Administrative Region (the "Court") against Win Dynamic on 10 May 2021 in relation to the Purported Cancellation (the "Action"). The Company claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay Sincere the net proceeds in respect of Sincere's shares tendered by Win Dynamic for acceptance of the Offer, after deducting the seller's ad valorem stamp duty payable by it, amounted to approximately HK$260,435,000 (the "WD Proceeds"), or such other sum as the Court may determine.

The Company also applied to the Court for an interlocutory injunction against Win Dynamic (the "Injunction Application") on 11 May 2021 which was heard by the Court on 14 May 2021. Upon hearing submissions from the parties, the Court has adjourned the hearing of the Injunction Application to a date to be fixed for substantive argument, and the Court has granted an interim-interim injunction, which shall remain in force pending the substantive determination of the Injunction Application, restraining Win Dynamic from, among others, (a) removing from Hong Kong any of its assets which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, up to the value of the WD Proceeds; or (b) in any way disposing of or dealing with or diminishing the value of any of its assets, which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, and whether or not Win Dynamic assets a beneficial interest in them up to the value of the WD Proceeds.

49. LITIGATION (Continued)

Deed and purported cancellation (Continued)

Sincere on 16 July 2021 resolved that it was in the interest of Sincere and its shareholders to commence legal proceedings against Win Dynamic in relation to the Purported Cancellation. Subsequently, Sincere had agreed to be joined as a party to the proceedings initiated by the Company. Accordingly, the Company sought the consent from Win Dynamic to join Sincere as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the proceedings. As such, on 6 October 2021, the Company and Win Dynamic had jointly applied to the Court for, among others, (i) leave to join Sincere as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant; and (ii) leave to amend the Writ and the statement of claim in relation to the Purported Cancellation (the "Joinder Application").

On 9 November 2021, the Court had granted an order in terms of the Joinder Application that, amongst other things, the Company was granted with leave to (i) join Sincere as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the Action; and (ii) amend the Writ and the statement of claim in relation to the Purported Cancellation (the "Joinder Order").

On 15 November 2021, the Company and Sincere instructed their solicitors to issue the amended Writ and the amended statement of claim against Win Dynamic and Mr. Philip Ma pursuant to the Joinder Order, and serve the same on Mr. Philip Ma on the same day. Sincere claimed against Win Dynamic and Mr. Philip Ma for, among others, (i) an order of specific performance of the Deed requiring Win Dynamic to forthwith pay Sincere the WD Proceeds, or such other sum as the Court may determine; and (ii) a declaration that the Deed is valid and binding, and Mr. Philip Ma had breached his contractual and/or fiduciary duties to Sincere.

By an acknowledgment of service of amended writ of summons filed and served on 1 December 2021, Mr. Philip Ma stated that he intended to contest the Action.

Win Dynamic and Mr. Philip Ma had filed and served their defence and counterclaim in the Action on 18 January 2022 and 14 March 2022 respectively. Win Dynamic and Mr. Philip Ma averred, among others, that the Company and Sincere were not entitled to any remedy against them. They further counterclaimed against the Company and Sincere for, among others, a declaration that the Deed is null and void and/or unenforceable, or alternatively, that the Deed was lawfully rescinded, cancelled or revoked by Win Dynamic and is of no legal effect.

Further details are disclosed in the announcements of Sincere dated 29 October 2020 and 4 February 2021, the offer document of the Company dated 5 May 2021 (the "Offer Document") and the response document of Sincere dated 20 May 2021 (the "Response Document").

49. LITIGATION (Continued)

Deed and purported cancellation (Continued)

The Company and Sincere had filed and served their Reply and Defence to WD's Counterclaim on 10 May 2022, and their Reply and Defence to Mr. Philip Ma's Counterclaim on 8 June 2022 respectively. The Company and Sincere averred that the Deed is enforceable and cannot be legally revoked.

The Company and Sincere had filed and served their Re-Amended Statement of Claim on 14 November 2022. The Company and Sincere averred that Sincere is a joint promisee under the 2nd agreement together with the Company. The 2nd agreement of which the Deed is an integral part was intended to benefit Sincere and consisted of an undertaking or promise on the part of Win Dynamic to benefit Sincere, namely to vest the benefit of the WD Proceeds or an equivalent sum in Sincere, which shall be used as its working capital after the Company becomes its controlling shareholder.

Win Dynamic had filed and served its Amended Defence and Counterclaim and Mr. Philip Ma had filed and served his Amended Defence and Counterclaim on 9 December 2022. Win Dynamic and Mr. Philip Ma averred that the alleged 2nd Agreement (even if existed) and the Deed are null and void or unenforceable. Besides, neither Dr. Lin had no authority to act on behalf of Sincere at the material time whether as alleged or at all, nor Mr. Philip Ma had agreed on behalf of Sincere that Sincere would apply the Win Dynamic Proceeds as working capital after the Company becomes the controlling shareholders of Sincere.

The Company and Sincere had filed and served their Amended Reply and Defence to the Counterclaim of Win Dynamic, and their Amended Reply and Defence to the Counterclaim of Mr. Philip Ma on 9 February 2023. The Company and Sincere averred that that Dr. Lin was acting on behalf of Sincere in respect of a promise which would take effect after the Company becomes Sincere's controlling shareholder of Sincere.

The date of hearing has not been fixed.

During the period from 1 March 2021 to 31 December 2021, Sincere has sought legal advice in respect of this litigation and was advised that (i) the Deed is enforceable; and (ii) Sincere has legal and contractual rights over the WD Proceeds. Therefore, the WD Proceeds is initially recognised as "Gift receivable from Win Dynamic" under "Prepayment, deposits and other receivables" with an amount of HK$150,001,000, being the fair value of the WD Proceeds which is determined based on a credit-adjusted effective interest rate of 9.66%.

As at 31 December 2022, the carrying amount of gift receivable from Win Dynamic amounted to HK$174,401,000, net of ECL allowance of HK$1,027,000 (2021: HK$158,870,000, net of ECL allowance of HK$445,000). During the year ended 31 December 2022, the Group has also recognised imputed interest income on gift receivable from Win Dynamic under "Other income" of HK$16,113,000 (2021: HK$9,314,000).

50. LEASE COMMITMENTS

(a) As lessor

The Group leases certain investment properties (note 20) and subleases certain premises under operating lease arrangements (note 18), with leases negotiated for terms ranging from one to ten years (2021: one to ten years). The terms of the leases generally also require the tenants to pay security deposits.

The Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants as follows:

	2022	2021
	HK$'000	HK$'000
Within one year	**13,224**	9,249
After one year but within two years	**7,154**	2,868
After two years but within three years	**3,549**	2,323
After three years but within four years	**2,427**	1,679
After four years but within five years	**1,312**	1,050
After five years	**1,559**	2,088
	29,225	19,257

(b) As lessee

As at 31 December 2022 and 2021, the Group had lease commitments for short-term leases as follows:

	2022	2021
	HK$'000	HK$'000
Within one year	**160**	2,654

As at 31 December 2022 and 2021, the Group leases certain office premises and office equipment with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

51. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
– Capital injection in a joint venture engaged in securities brokerage business	**392,604**	427,980
– Investment property	**249,600**	249,600
– Properties under development	**121,271**	–
– Leasehold improvements	**22,765**	1,101
	786,240	678,681

52. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Related party transactions

	2022 HK$'000	2021 HK$'000
Service fee paid to a related company controlled by the directors of the Company	**–**	6,397
Management fee paid to a related company controlled by a director of the Company in the PRC	**2,228**	984
Securities service fee received from the directors and controlling shareholders	**29**	32

52. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

During the year ended 31 December 2022, the Group received loans from and repaid to ultimate holding company of HK$1,302,964,000 (2021: HK$542,353,000) and HK$42,585,000 (2021: HK$186,324,000), respectively.

(c) Compensation of key management personnel of the Group

The remuneration of directors, being the key management personnel of the Group, during the year ended 31 December 2022 was as follows:

	2022	2021
	HK$'000	HK$'000
Short-term employee benefits	**12,596**	12,564
Post-employment benefits	**54**	54
	12,650	12,618

Further details of directors' emoluments are included in note 13.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	Bank borrowings HK$'000	Other borrowings HK$'000	Loans from ultimate holding company HK$'000	Amounts due to related parties HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2021	10,108,023	–	744,192	71,861	–	39,030	10,963,106
Financing cash flows	(74,108)	(151,953)	356,029	16,661	(688,214)	(82,863)	(624,448)
Non-cash transactions:							
– Acquisition of subsidiaries (note 46)	151,166	154,693	–	–	–	83,876	389,735
– Capital contribution from controlling shareholder (note 47)	–	–	–	19,628	–	1,996	21,624
– Finance costs	–	–	–	–	688,214	5,123	693,337
– Covid-19-related rent concessions	–	–	–	–	–	(5,237)	(5,237)
– Lease modification	–	–	–	–	–	62,455	62,455
– Lease termination	–	–	–	–	–	(109)	(109)
– Entering into new leases	–	–	–	–	–	509	509
– Exchange loss recognised in profit or loss	–	–	26,975	–	–	–	26,975
– Exchange differences recognised in other comprehensive income	293,843	–	–	1,088	–	557	295,488
As at 31 December 2021 and 1 January 2022	**10,478,924**	**2,740**	**1,127,196**	**109,238**	**–**	**105,337**	**11,823,435**
Financing cash flows	**252,063**	**236,547**	**1,260,379**	**344,258**	**(719,178)**	**(100,719)**	**1,273,350**
Non-cash transactions:							
– Finance costs	**–**	**152**	**–**	**–**	**719,178**	**7,681**	**727,011**
– Covid-19-related rent concessions	**–**	**–**	**–**	**–**	**–**	**(720)**	**(720)**
– Lease modification	**–**	**–**	**–**	**–**	**–**	**935**	**935**
– Entering into new leases	**–**	**–**	**–**	**–**	**–**	**104,324**	**104,324**
– Exchange loss recognised in profit or loss	**–**	**–**	**7,185**	**–**	**–**	**–**	**7,185**
– Exchange differences recognised in other comprehensive income	**(820,183)**	**–**	**–**	**–**	**–**	**(922)**	**(821,105)**
As at 31 December 2022	**9,910,804**	**239,439**	**2,394,760**	**453,496**	**–**	**115,916**	**13,114,415**

54. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is the total of interest-bearing bank borrowings, other borrowings, loans from ultimate holding company and interest-bearing portion of the amounts due to related parties divided by equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio at a suitable level. The gearing ratios at the end of each reporting period are as follows:

	2022	2021
	HK$'000	HK$'000
Bank borrowings	**9,910,804**	10,478,924
Other borrowings	**239,439**	2,740
Loans from ultimate holding company	**2,394,760**	1,127,196
Interest-bearing portion of the amounts due to related parties	**404,994**	–
	12,949,997	11,608,860
Equity attributable to owners of the Company	**3,612,468**	4,133,072
Gearing ratio	**358%**	281%

55. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	**2,424,201**	1,775,063
Financial assets at FVTPL	**71,229**	81,206
Financial assets at FVTOCI	**4,041**	39,624
Financial liabilities		
Financial liabilities at amortised cost	**13,665,530**	12,154,727

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, receivables arising from securities broking, loan receivables, financial assets at FVTPL/FVTOCI, amounts due from related parties, deposits and other receivables, cash held on behalf of clients, restricted bank balances and deposits, bank balances and cash, trade payables, payables arising from securities broking, other payables and accruals, bank borrowings, other borrowings, amounts due to related parties, lease liabilities and loans from ultimate holding company. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group is subject to foreign exchange rate risk arising from assets and liabilities which are denominated in currency other than the functional currencies of the relevant group entity. The Group's foreign currency transactions and balances are principally denominated in US$, Japanese Yen ("JPY"), RMB and HK$. The Group is exposed to the foreign exchange rate risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group currently does not have a currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant currency exposure should the need arise.

55. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

The Group's foreign currency denominated monetary assets and liabilities include trade receivables, other receivables, bank balances and cash, trade payables, other payables and loans from ultimate holding company at the end of each reporting period and the carrying amounts are as follows:

	2022	2021
	HK$'000	HK$'000
Assets		
RMB against HK$	**521,235**	489,191
US$ against HK$	**10,769**	11,373
JPY against HK$	**34,508**	24,416
Others	**128**	1,823
Liabilities		
RMB against HK$	**224,981**	124,501
US$ against HK$	**3,160**	–
JPY against HK$	**17,301**	14,574

Sensitivity analysis

The Group's foreign currency risk is concentrated on the fluctuation of HK$, RMB and JPY against foreign currency. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$, therefore is excluded from the sensitivity analysis below.

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in HK$ against RMB and JPY. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit for the year where HK$ weakens 5% against RMB and JPY. For a 5% strengthening of HK$ against RMB and JPY, there would be an equal and opposite impact on profit for the year and the balance below would be negative.

	2022	2021
	HK$'000	HK$'000
RMB	**11,110**	13,676
JPY	**671**	384

55. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, other borrowings, amounts due to related parties and loans from ultimate holding company. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 32), variable-rate bank borrowings (note 38) and other borrowings (note 39).

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR, Prime Rate and Best Lending Rate arising from the Group's HK$ denominated bank borrowings and other borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2022, if interest rates had been 50 (2021: 50) basis points higher/lower with all other variables held constant, the Group's profit for the year ended 31 December 2022 would have been HK$41,295,000 (2021: HK$2,320,000) lower/higher.

(iii) Other price risk

The Group is exposed to equity price risk arising from equity investments classified as financial assets at FVTPL (note 30) as at 31 December 2022 and 2021. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% (2021: 10%) change in the fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/Decrease in profit for the year	
	2022	2021
	HK$'000	HK$'000
Equity investments:		
– Financial assets at FVTPL	**4,731**	5,420

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2022 and 2021 is the carrying amounts as disclosed in note 55(a). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the credit risks associated with receivables arising from securities broking are mitigated because they are secured by listed securities in Hong Kong.

(i) Trade receivables

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables individually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Accordingly, the Group's concentration of credit risk is considered minimal. As part of the Group's credit risk management, trade debtors are assessed individually by reference to any historical default or delay in payments, historical settlements record and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2022 ranged from 0.1% to 22.2% (2021: 0.1% to 21.9%).

(ii) Receivables arising from securities broking

In order to manage the credit risk in the receivables from clients arising from securities broking, individual credit evaluation are performed on all clients including cash clients and margin clients. Cash clients accounts receivable are generally settled in two trading days after trade date. Hence, credit risk arising from the cash client accounts receivable is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

(ii) Receivables arising from securities broking (Continued)

As part of the Group's credit risk management, management estimates impairment loss on loans to margin clients individually on each debtor by reference to any historical default or delay in payments, historical settlements record and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rate for not credit-impaired margin clients for the year ended 31 December 2022 is approximately 0.3% (2021: 0.03%).

(iii) Loan receivables

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on balances individually.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2022 is approximately 1.1% to 22.3% (2021: 0.6% to 21.9%).

(iv) Bank balances, restricted bank balances and deposits and cash held on behalf of clients

The Group mainly transacts with banks with high credit ratings. The credit risk for bank balances, restricted bank balances and deposits and cash held on behalf of clients as at 31 December 2022 and 2021 is considered as not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies.

The Group assessed 12-month ECL on these balances by reference to probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant as at 31 December 2022 and 2021 and thus no impairment loss was recognised.

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

(v) Deposits and other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ No fixed repayment HK$'000	Total HK$'000
2022	**101,649**	**108,704**	**210,353**
2021	**63,061**	**140,208**	**203,269**

Management has taken into account the past due information as above and comparable external credit rating assigned by international credit-rating agencies on debtor of similar type to review the recoverable amount of other receivables at the end of the reporting period to ensure that adequate impairment losses was recognised for irrecoverable debts, if applicable.

The Group assessed the ECL on other receivables from a local government authority in the PRC by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant at initial recognition and as at 31 December 2022 and 2021 and thus no impairment loss was recognised.

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

(vi) Purchased or originated credit-impaired loan receivables

The Group has undertaken an internal approval process before executing the decision of acquisition of investments including purchased or originated credit-impaired financial assets. The loss rate for the year ended 31 December 2022 is approximately 1.7% (2021: 1.7%).

(vii) Gift receivable from Win Dynamic (credit-impaired)

The Group makes various assumptions when estimating the ECL of gift receivable from Win Dynamic, including forward-looking scenarios and their likelihoods, counterparty's credit rating and probability of defaults and recovery rate. The loss rate for the year ended 31 December 2022 is approximately 0.59% (2021: 0.28%).

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ Receivables arising from securities broking/ Loan receivables	Other financial assets/Other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL (not credit-impaired)	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL (not credit-impaired)	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost, which are subject to the ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month/Lifetime ECL	Gross carrying amount HK$'000
As at 31 December 2022					
Cash held on behalf of clients	31	Aaa	N/A	12-month ECL (not credit-impaired)	126,742
Restricted bank balances and deposits		Aaa	N/A	12-month ECL (not credit-impaired)	142,143
Bank balances and cash	32	Ba1 – Aaa	N/A	12-month ECL (not credit-impaired)	171,900
Trade receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	600,385
			Watch list	Lifetime ECL (not credit-impaired)	2,653
					603,038
Receivables arising from securities broking	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	519,706
Loan receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	280,200
			Watch list	Lifetime ECL (not credit-impaired)	178,727
					458,927
Other receivables	28	N/A	Low risk	12-month ECL (not credit-impaired)	108,704
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	101,649
					210,353
Purchased or originated credit-impaired loan receivables	28	N/A	Loss	Lifetime ECL (credit-impaired)	99,772
Gift receivable from Win Dynamic	28	N/A	Loss	Lifetime ECL (credit-impaired)	175,428
Amounts due from related parties	40	N/A	Low risk	12-month ECL (not credit-impaired)	1,703

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

	Notes	External credit rating	Internal credit rating	12-month/Lifetime ECL	Gross carrying amount HK$'000
As at 31 December 2021					
Cash held on behalf of clients	31	Aaa	N/A	12-month ECL (not credit-impaired)	143,835
Restricted bank balances and deposits		Aaa	N/A	12-month ECL (not credit-impaired)	102,153
Bank balances	32	Ba1 – Aaa	N/A	12-month ECL (not credit-impaired)	229,645
Trade receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	374,425
			Watch list	Lifetime ECL (not credit-impaired)	244
					374,669
Receivables arising from securities broking	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	290,531
Loan receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	136,000
			Watch list	Lifetime ECL (not credit-impaired)	70,999
					206,999
Other receivables	28	N/A	Low risk	12-month ECL (not credit-impaired)	140,208
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	63,061
					203,269
Purchased or originated credit-impaired loan receivables	28	N/A	Loss	Lifetime ECL (credit-impaired)	101,165
Gift receivable from Win Dynamic	28	N/A	Loss	Lifetime ECL (credit-impaired)	159,315
Amounts due from related parties	40	N/A	Low risk	12-month ECL (not credit-impaired)	1,598

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The average loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management to assess both the current as well as the forecast direction of conditions at the end of the reporting period. The internal credit rating categories are regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2021	11,019
Impairment losses recognised, net	9,133
Written off during the year	(709)
As at 31 December 2021 and 1 January 2022	19,443
Impairment losses recognised, net	**13,133**
Written off during the year	**(142)**
As at 31 December 2022	**32,434**

During the year ended 31 December 2022, net impairment losses on trade receivables of HK$13,133,000 (2021: HK$9,133,000) was recognised in profit or loss.

55. FINANCIAL INSTRUMENTS (Continued)

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

***Credit risk and impairment assessment** (Continued)*

The following table shows the movement in lifetime ECL that has been recognised for receivables arising from securities broking.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2021	1,956
Impairment losses reversed, net	(1,868)
As at 31 December 2021 and 1 January 2022	88
Impairment losses recognised, net	**1,218**
As at 31 December 2022	**1,306**

During the year ended 31 December 2022, net impairment losses on receivables arising from securities broking of HK$1,218,000 (2021: net reversal of HK$1,868,000) was recognised in profit or loss.

The following table shows the movement in lifetime ECL that has been recognised for loan receivables.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2021	20,626
Impairment losses reversed, net	(4,064)
As at 31 December 2021 and 1 January 2022	16,562
Impairment losses recognised, net	**32,604**
As at 31 December 2022	**49,166**

During the year ended 31 December 2022, impairment losses on loan receivables of HK$32,604,000 (2021: net reversal of HK$4,064,000) was recognised in profit or loss.

55. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for purchased or originated credit-impaired loan receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**1,578**

The following table shows the movement in lifetime ECL that has been recognised for gift receivable from Win Dynamic.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2021	–
Impairment losses recognised	445
As at 31 December 2021 and 1 January 2022	445
Impairment losses recognised	**582**
As at 31 December 2022	**1,027**

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management monitors the utilisation of bank borrowings and other borrowings and ensures compliance with loan covenants. Details of the Group's bank borrowings and other borrowings are set out in notes 38 and 39 respectively.

55. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
As at 31 December 2022					
Trade payables	**97,100**	**–**	**–**	**97,100**	**97,100**
Payables arising from securities broking	**129,102**	**–**	**–**	**129,102**	**129,102**
Other payables and accruals	**317,793**	**7,120**	**–**	**324,913**	**324,913**
Bank borrowings	**5,732,252**	**3,721,894**	**1,449,072**	**10,903,218**	**9,910,804**
Other borrowings	**245,196**	**559**	**–**	**245,755**	**239,439**
Amounts due to related parties	**453,496**	**–**	**–**	**453,496**	**453,496**
Lease liabilities	**72,936**	**47,260**	**–**	**120,196**	**115,916**
Loans from ultimate holding company	**–**	**2,696,500**	**–**	**2,696,500**	**2,394,760**
	7,047,875	**6,473,333**	**1,449,072**	**14,970,280**	**13,665,530**
As at 31 December 2021					
Trade payables	54,926	–	–	54,926	54,926
Payables arising from securities broking	148,176	–	–	148,176	148,176
Other payables and accruals	124,365	4,663	–	129,028	128,190
Bank borrowings	1,002,241	9,206,114	1,804,823	12,013,178	10,478,924
Other borrowings	2,247	548	–	2,795	2,740
Amounts due to related parties	109,238	–	–	109,238	109,238
Lease liabilities	67,769	45,375	–	113,144	105,337
Loans from ultimate holding company	–	1,197,219	–	1,197,219	1,127,196
	1,508,962	10,453,919	1,804,823	13,767,704	12,154,727

55. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings and other borrowings with a repayment on demand clause are included in "On demand or within 1 year" time band in the above maturity analysis.

As at 31 December 2022, the aggregate undiscounted principal and interest of these bank borrowings and other borrowings payable within one year in accordance with the scheduled payment terms were HK$533,473,000 (2021: HK$384,399,000).

As at 31 December 2022, taking into account the Group's consolidated financial position, the directors of the Company do not believe that it is probable that the banks and counterparty will exercise their discretionary rights to demand immediate repayment. Included in the above balances, the directors of the Company believe that such bank borrowings and other borrowings will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

Insurance risk management

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims. At the end of the reporting period, no claims and benefit payments of life insurances were unsettled.

55. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Certain financial assets of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial asset	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2022	2021		
	HK$'000	HK$'000		
Financial assets at FVTPL				
– Club and school debentures	**13,185**	13,991	Level 2	Estimated transaction prices
– Listed equity investments	**56,662**	64,906	Level 1	Quoted bid prices in an active market
– Other investments	**1,382**	2,309	Level 2	Quoted prices from the fund managers
Financial assets at FVTOCI and asset classified as held for sale				
– Unlisted equity investments (note)	**4,041**	30,453	Level 3	Market approach and discount for lack of marketability of 27.6% (2021: 30.9%)

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

55. FINANCIAL INSTRUMENTS (Continued)

(c) Fair values measurements (Continued)

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

The fair value of unlisted equity investments at FVTOCI is determined using the market approach adjusted for lack of marketability discount. The fair value is negatively correlated to the discount for lack of marketability.

As at 31 December 2022, it is estimated that an increase/(decrease) of 3% (2021: 3%) in the unobservable input, with all other variables held constant, would have (decreased)/increased the Group's other comprehensive income as follows:

	2022		2021	
	Increase/ (Decrease) in unobservable input	**(Decrease)/ Increase in other comprehensive income**	Increase/ (Decrease) in unobservable input	(Decrease)/ Increase in other comprehensive income
	%	**HK$'000**	%	HK$'000
Discount for lack of marketability	**3**	**(102)**	3	(800)
	(3)	**366**	(3)	818

55. FINANCIAL INSTRUMENTS (Continued)

(c) Fair values measurements (Continued)

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

The movement of unlisted equity investments at FVTOCI and asset classified as held for sale in the balance of Level 3 fair value hierarchy is as follows:

	2022	2021
	HK$'000	HK$'000
Equity investments at FVTOCI		
At the beginning of the year	**3,807**	–
Acquisition of subsidiaries (note 46)	**–**	29,625
Net gains recognised in other comprehensive income	**234**	828
Transfer to asset classified as held for sale	**–**	(26,646)
At the end of the year	**4,041**	3,807
Asset classified as held for sale		
At the beginning of the year	**26,646**	–
Transfer from equity investments at FVTOCI	**–**	26,646
Change in fair value	**970**	–
Disposed during the year	**(27,616)**	–
At the end of the year	**–**	26,646

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

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

56. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The disclosures set out in the table below include financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition, the Group has a legally enforceable right to set off all clients accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set off of the recognised amounts is only enforceable following an event of default.

56. OFFSETTING FINANCIAL ASSETS AND LIABILITIES (Continued)

	Gross amounts of recognised financial assets/ liabilities HK$'000	Gross amounts of recognised financial liabilities/ assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Collateral received HK$'000 (note)	
As at 31 December 2022						
Assets						
Receivables arising from securities broking	**542,177**	**(23,777)**	**518,400**	**(43,556)**	**(457,699)**	**17,145**
Liabilities						
Payables arising from securities broking	**152,879**	**(23,777)**	**129,102**	**(3,328)**	**–**	**125,774**
As at 31 December 2021						
Assets						
Receivables arising from securities broking	304,371	(13,928)	290,443	(4,069)	(277,688)	8,686
Liabilities						
Payables arising from securities broking	162,104	(13,928)	148,176	(1,008)	–	147,168

Note: The item represents the securities pledged in the clients' account which is not recognised in the consolidated statement of financial position. The amount is capped at the lower of the market value of securities and the net receivable amounts on a client by client basis.

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022	2021
	HK$'000	HK$'000
Non-current assets		
Plant and equipment	**33,272**	96
Investments in subsidiaries	**5,274,723**	5,388,574
Prepayments, deposits and other receivables	**8,555**	3,970
	5,316,550	5,392,640
Current assets		
Prepayments, deposits and other receivables	**641**	5,994
Amounts due from subsidiaries	**4,721,373**	5,189,538
Financial assets at FVTPL	**54,475**	56,971
Bank balances and cash	**7,328**	7,690
	4,783,817	5,260,193
Current liabilities		
Other payables and accruals	**35,435**	7,643
Amounts due to subsidiaries	**5,882,831**	8,013,084
Bank borrowing	**209,300**	–
Lease liabilities	**16,819**	–
	6,144,385	8,020,727
Net current liabilities	**(1,360,568)**	(2,760,534)
Total assets less current liabilities	**3,955,982**	2,632,106
Equity		
Share capital	**144,071**	143,971
Reserves (note)	**1,399,924**	1,283,394
	1,543,995	1,427,365
Non-current liabilities		
Loans from ultimate holding company	**2,394,760**	1,204,741
Lease liabilities	**17,227**	–
	2,411,987	1,204,741
	3,955,982	2,632,106

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: The movement of the Company's reserves are as follows:

	Share premium HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2021	1,918,627	15,054	586,594	(995,619)	1,524,656
Loss and total comprehensive expense for the year	–	–	–	(247,277)	(247,277)
Exercise of share options	6,015	(2,895)	–	2,895	6,015
Forfeiture of share options	–	(3,281)	–	3,281	–
As at 31 December 2021 and 1 January 2022	1,924,642	8,878	586,594	(1,236,720)	1,283,394
Profit and total comprehensive income for the year	**–**	**–**	**–**	**112,520**	**112,520**
Exercise of share options	**4,010**	**(1,930)**	**–**	**1,930**	**4,010**
As at 31 December 2022	**1,928,652**	**6,948**	**586,594**	**(1,122,270)**	**1,399,924**

58. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2022	2021	Place of operation	Principal activity
Realord Asset Management Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Citibest Global Limited	BVI	US$50,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Ventures Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Manureen Ventures Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Investment Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Bright Success Inc.	BVI	US$1 ordinary share	**100**	100	Hong Kong	Investment holding
Capital Conference Services Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Provision of conference services
Capital Financial Press Limited	Hong Kong	HK$800,000 ordinary shares	**100**	100	Hong Kong	Commercial printing
Concept Star Corporation Limited	Hong Kong	HK$2 ordinary shares	**100**	100	Hong Kong	Property investment
Easy Bloom Investment Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment and investment holding

58. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2022	2021	Place of operation	Principal activity
Qualiti Printing and Sourcing Limited	Hong Kong	HK$3,750,000 ordinary shares	**100**	100	Hong Kong	Trading of hangtags, labels and shirt paper boards
Realord Asia Pacific Securities Limited	Hong Kong	HK$153,000,000 ordinary shares	**89.3**	89.3	Hong Kong	Provision of securities broking services and margin financing
Realord Vehicle Parts Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Distribution and sale of motor vehicle parts
Excellent Well (H.K.) Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment
Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection")	Hong Kong	HK$21,046,110 ordinary shares	**61.3**	61.3	Hong Kong	Investment holding and trading of scrap materials
Realord Asia Pacific Asset Management Limited (Formerly known as Strabens Hall (Hong Kong) Limited)	Hong Kong	HK$45,000,000 ordinary shares	**100**	100	Hong Kong	Provision of securities advisory and asset management services
Absolute Holdings Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment

58. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2022	2021	Place of operation	Principal activity
Optima Capital Limited ("Optima Capital")	Hong Kong	HK$10,000,000 ordinary shares	**60**	60	Hong Kong	Provision of securities broking, securities advisory and financial advisory services
Realord Finance Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Money lending
偉祿商業(深圳)有限公司	The PRC	Paid-up capital of HK$36,000,000	**100**	100	The PRC	Trading of electronic products and computer components/ property investment
深圳市偉祿商業控股有限公司	The PRC	Paid-up capital of RMB32,000,000	**100**	100	The PRC	Property investment
前海美林融資租賃(深圳)有限公司	The PRC	Paid-up capital of US$6,506,880	**100**	100	The PRC	Provision of financial leasing services
前海偉祿跨境電子商務(深圳)有限公司	The PRC	Paid-up capital of HK$194,400,000 (2021: HK$170,000,000)	**100**	100	The PRC	Development and sale of e-commerce platform/trading of products
冠彰電器(深圳)有限公司	The PRC	Paid-up capital of HK$30,000,000	**100**	100	The PRC	Property investment

58. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2022	2021	Place of operation	Principal activity
廣西梧州市通寶再生物資有限公司	The PRC	Paid-up capital of HK$3,570,000	**61.3**	61.3	The PRC	Dismantling and trading of scrap materials
廣東偉祿汽車零件有限公司	The PRC	Paid-up capital of RMB40,000,000	**100**	100	The PRC	Distribution and sale of motor vehicle parts
深圳市偉祿科技控股有限公司	The PRC	Paid-up capital of RMB50,000,000	**100**	100	The PRC	Property investment
深圳市夏浦光電技術有限公司	The PRC	Paid-up capital of RMB50,000,000	**100**	100	The PRC	Property investment
Shenzhen Yousheng	The PRC	Paid-up capital of RMB20,000,000	**51**	51	The PRC	Property development
Realord Environmental Protection Japan Co, Ltd.	Japan	JPY90,000,000 ordinary shares	**55.1**	55.1	Japan	Processing and trading of scrap materials
Sincere (note 46)	Hong Kong	HK$469,977,000 ordinary share	**75**	75	Hong Kong	Operation of the development stores, securities trading and the provision of general and life insurance
The Sincere Life Assurance Company Limited	Hong Kong	HK$10,000,000 ordinary share	**42.7**	42.7	Hong Kong	Life insurance and investment

58. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2022	2021	Place of operation	Principal activity
The Sincere Insurance & Investment Company, Limited	Hong Kong	HK$20,000,000 ordinary share	**43.5**	43.5	Hong Kong	Investment holding
Caribbean Education Industry Group Limited (note 47)	BVI	US$50,000 ordinary share	**70.5**	70.5	Grenada	Development of the project in Grenada
Hartman Group Ltd	Grenada	US$1,000,000 ordinary share	**70.5**	70.5	Grenada	Property development
Hartman Hotel Development Ltd	Grenada	US$10,000 ordinary share	**70.5**	70.5	Grenada	Property development
Realord Century Service Company Limited	Hong Kong	HK$100 ordinary shares	**70.5**	–	Hong Kong	Consultancy services on CBI Programme as a marketing agent
Hartman Culture Development (Shanghai) Co., Ltd.* (哈特曼文化發展(上海)有限公司)	The PRC	US$1,000,000 ordinary share	**70.5**	–	The PRC	Consultancy services on CBI Programme as a marketing agent
Realord Century Business Service (Shenzhen) Co., Ltd.* (偉祿世紀商務服務(深圳)有限公司)	The PRC	Paid-up capital of RMB1,000,000	**70.5**	–	The PRC	Consultancy services on CBI Programme as a marketing agent

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

* *for identification purpose only*

58. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes five (2021: five) subsidiaries/group of subsidiaries with material non-controlling interests, the details and the summarised financial information, before intragroup eliminations, are as follows:

Realord Environmental Protection and its subsidiaries

	2022 HK$'000	2021 HK$'000
Proportion of ownership interests and voting rights held by non-controlling interests	**38.7%**	38.7%
Current assets	**441,398**	400,869
Non-current assets	**53,607**	52,367
Current liabilities	**(285,781)**	(177,150)
Non-current liabilities	**(13,005)**	(45,047)
Net assets	**196,219**	231,039
Carrying amount to non-controlling interests	**73,845**	87,321
Revenue	**704,978**	672,848
Expenses	**(739,173)**	(669,987)
(Loss)/Profit for the year	**(34,195)**	2,861
Other comprehensive expense for the year	**(625)**	(1,954)
Total comprehensive (expense)/income for the year	**(34,820)**	907
(Loss)/Profit attributable to non-controlling interests	**(13,122)**	664
Total comprehensive (expense)/income attributable to non-controlling interests	**(13,476)**	110
Dividend paid to non-controlling interests	**–**	–
Net cash flows from/(used in) operating activities	**11,713**	(37,526)
Net cash flows from investing activities	**126,394**	153,216
Net cash flows used in financing activities	**(145,228)**	(119,948)
Net decrease in cash and cash equivalents	**(7,121)**	(4,258)

58. PARTICULARS OF SUBSIDIARIES (Continued)

Optima Capital

	2022 HK$'000	2021 HK$'000
Proportion of ownership interests and voting rights held by non-controlling interests	**40%**	40%
Current assets	**21,113**	34,217
Non-current assets	**38,029**	30,583
Current liabilities	**(5,541)**	(2,524)
Non-current liabilities	**(10,051)**	(4,603)
Net assets	**43,550**	57,673
Carrying amount to non-controlling interests	**17,420**	23,069

	2022 HK$'000	2021 HK$'000
Revenue	**19,090**	40,071
Expenses	**(33,213)**	(36,827)
(Loss)/Profit and total comprehensive (expense)/income for the year	**(14,123)**	3,244
(Loss)/Profit and total comprehensive (expense)/income attributable to non-controlling interests	**(5,649)**	1,297
Dividend paid to non-controlling interests	**–**	–
Net cash flows from/(used in) operating activities	**1,306**	(8,459)
Net cash flows used in investing activities	**(158)**	(156)
Net cash flows used in financing activities	**(5,699)**	–
Net decrease in cash and cash equivalents	**(4,551)**	(8,615)

58. PARTICULARS OF SUBSIDIARIES (Continued)

Shenzhen Yousheng

	2022 HK$'000	2021 HK$'000
Proportion of ownership interests and voting rights held by non-controlling interests	**49%**	49%
Current assets	**2,040,301**	1,634,583
Non-current assets	**217**	283
Current liabilities	**(360,374)**	(51,520)
Non-current liabilities	**(203,114)**	–
Net assets	**1,477,030**	1,583,346
Carrying amount to non-controlling interests	**723,745**	769,045

	2022 HK$'000	2021 HK$'000
Revenue	**–**	–
Expenses	**(6,125)**	(1,562)
Loss for the year	**(6,125)**	(1,562)
Other comprehensive (expense)/income for the year	**(86,324)**	58
Total comprehensive expense for the year	**(92,449)**	(1,504)
Loss attributable to non-controlling interests	**(3,001)**	(765)
Total comprehensive expense attributable to non-controlling interests	**(45,300)**	(737)
Dividend paid to non-controlling interests	**–**	–
Net cash flows (used in)/from operating activities	**(207,560)**	5,029
Net cash flows from investing activities	**48**	–
Net cash flows from financing activities	**203,114**	–
Net (decrease)/increase in cash and cash equivalents	**(4,398)**	5,029

58. PARTICULARS OF SUBSIDIARIES (Continued)

The Sincere Group

	2022 HK$'000	2021 HK$'000
Proportion of ownership interest and voting rights held by non-controlling interests	**25%**	25%
Current assets	**249,171**	250,499
Non-current assets	**440,988**	462,957
Current liabilities	**(489,268)**	(431,473)
Non-current liabilities	**(19,739)**	(44,756)
Net assets	**181,152**	237,227
Carrying amount to non-controlling interests	**79,737**	97,594

	For the Year ended 31 December 2022 HK$'000	From 18 May 2021 (date of acquisition) to 31 December 2021 HK$'000
Revenue	**146,516**	95,044
Expenses	**(210,548)**	(134,093)
Loss for the year	**(64,032)**	(39,049)
Other comprehensive (expense)/income for the year	**(57)**	8,388
Total comprehensive expense for the year	**(64,089)**	(30,661)
Loss attributable to non-controlling interests	**(18,416)**	(9,762)
Total comprehensive expense attributable to non-controlling interests	**(17,857)**	(7,665)
Dividend paid to non-controlling interests	**–**	–
Net cash flows used in operating activities	**(42,169)**	(53,731)
Net cash flows from investing activities	**44,055**	1,630
Net cash flows from financing activities	**42,210**	18,244
Net increase/(decrease) in cash and cash equivalents	**44,096**	(33,857)

58. PARTICULARS OF SUBSIDIARIES (Continued)

The Caribbean Group

	2022 HK$'000	2021 HK$'000
Proportion of ownership interest and voting rights held by non-controlling interests	**29.5%**	29.5%
Current assets	**2,240,006**	10,864
Non-current assets	**13,586**	347,784
Current liabilities	**(124,775)**	(32,048)
Non-current liabilities	**(1,398)**	(518)
Net assets	**2,127,419**	326,082
Carrying amount to non-controlling interests	**625,598**	97,189

	For the Year ended 31 December 2022 HK$'000
Revenue	**5,936**
Gain on fair value changes of investment changes	**1,846,872**
Expenses	**(52,514)**
Loss for the year	**1,800,294**
Other comprehensive income for the year	**1,043**
Total comprehensive income for the year	**1,801,337**
Loss attributable to non-controlling interests	**528,102**
Total comprehensive expense attributable to non-controlling interests	**528,409**
Dividend paid to non-controlling interests	**–**
Net cash flows from operating activities	**8,811**
Net cash flows used in investing activities	**(3,116)**
Net cash flows from financing activities	**3,514**
Net decrease in cash and cash equivalents	**9,209**

Note: No comparative figures for the financial information related to profit or loss and other comprehensive income are shown above as the Caribbean Group were acquired by the Group as at 31 December 2021.

FIVE YEAR FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements are summarized below.

	Year ended 31 December				
	2022	2021	2020	2019	2018
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,198,810**	1,195,079	869,341	828,898	811,039
Profit/(loss) before income tax	**371,104**	428,467	1,449,970	(430,745)	555,949
Income tax credit/(expenses)	**234,058**	(312,533)	(557,652)	26,056	(172,238)
Profit/(loss) for the year	**605,162**	115,934	892,318	(404,689)	383,711
Profit/(loss) for the year attributable to:					
Owners of the Company	**114,892**	122,197	885,185	(415,529)	363,282
Non-controlling interests	**490,270**	(6,263)	7,133	10,840	20,429
	605,162	115,934	892,318	(404,689)	383,711

	As at 31 December				
	2022	2021	2020	2019	2018
Assets and Liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**9,908,685**	11,911,136	12,445,778	9,504,662	9,409,334
Current assets	**9,960,992**	6,836,249	4,273,668	3,078,285	2,012,335
Total assets	**19,869,677**	18,747,385	16,719,446	12,582,947	11,421,669
Current liabilities	**6,799,060**	1,082,627	1,213,628	819,864	933,835
Non-current liabilities	**7,905,562**	12,399,479	11,094,244	8,543,793	7,555,408
Total liabilities	**14,704,622**	13,482,106	12,307,872	9,363,657	8,489,243
Net assets	**5,165,055**	5,265,279	4,411,574	3,219,290	2,932,426
Equity attributable to owners of the Company	**3,612,468**	4,133,072	3,505,463	2,345,095	2,878,448
Non-controlling interests	**1,552,587**	1,132,207	906,111	874,195	53,978
	5,165,055	5,265,279	4,411,574	3,219,290	2,932,426

MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2022

Particulars of the major properties held by the Group at the end of the reporting period are as follows:

Location	Purpose	Tenure	Attributable interest of the Group
Hong Kong			
House No.25, Villa Bel-Air, Bel-Air on the Peak, Island South, No.25 Bel-Air Peak Rise, Hong Kong	Residential	Medium term lease	100%
House No.8, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 8 Bel-Air Peak Rise, Hong Kong	Residential	Medium term lease	100%
Mainland China			
The industrial complex at No. 5 Fuye Road, Zhangkengjing Community, Guanhu Jie Dao, Longhua District, Shenzhen, the PRC	Industrial	Medium term lease	100%
The Properties located in Qiankeng Industrial Zone, Qiankeng Community, Fucheng Jie Dao, Longhua District, Shenzhen, the PRC	Under redevelopment	Medium term lease	100%

MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2022

Location	Purpose	Tenure	Attributable interest of the Group
A block of commercial/ apartment building, all retail shops and car parking spaces of Realord Villas, Lanqing Er Lu, Luhu Community, Huanguan South Road, Guanhu Jie Dao, Longhua District, Shenzhen, the PRC	Mix of residential and commercial	Long term lease	100%
Realord Technology Park, Dongzhou Community, Guangming Jie Dao, Guangming District, Shenzhen, the PRC	Mix of residential and commercial	Medium term lease	100%