



Hongkong Chinese Limited
香港華人有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 655)

2023
ANNUAL REPORT



** For identification purpose only*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Stephen Riady (*Chairman*)
Mr. John Luen Wai Lee, BBS, JP
(*Chief Executive Officer*)
Mr. Brian Riady

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. King Fai Tsui
Mr. Edwin Neo
Ms. Min Yen Goh

COMMITTEES

Audit Committee

Mr. King Fai Tsui (*Chairman*)
Mr. Leon Nim Leung Chan
Mr. Edwin Neo

Remuneration Committee

Mr. King Fai Tsui (*Chairman*)
Dr. Stephen Riady
Mr. Leon Nim Leung Chan
Mr. Edwin Neo
Ms. Min Yen Goh

Nomination Committee

Mr. King Fai Tsui (*Chairman*)
Dr. Stephen Riady
Mr. Leon Nim Leung Chan
Mr. Edwin Neo
Ms. Min Yen Goh

SECRETARY

Ms. Millie Yuen Fun Luk

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited

SOLICITORS

Howse Williams

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

40th Floor, Tower Two
Lippo Centre
89 Queensway
Hong Kong

STOCK CODE

655

WEBSITE

www.hkchinese.com.hk

Chairman's Statement

I am pleased to present the annual report of the Company (together with its subsidiaries, the "Group") for the year ended 31 December 2023 (the "Year").

2023 continued to be a challenging year although the COVID-19 pandemic ("Pandemic") subsided during the Year. The continued increase in interest rates, escalating geopolitical tensions and the growing trend of deglobalisation and trade protectionism had affected the recovery in the global economy in 2023. The economy in mainland China was weighed down by the weak property market and consumption growth. Singapore's GDP growth in 2023 was slower than the 3.8% expansion in 2022. However, a continued recovery in air travel and tourism demand had supported the growth in Singapore's tourism. Under such challenging environment, the Group recorded a consolidated profit attributable to shareholders of HK\$157 million for the Year, as compared to a consolidated profit of HK\$489 million for the year ended 31 December 2022 ("2022").

OUE Limited ("OUE"), a principal joint venture of the Company, reported a commendable set of results for the Year, with a 26.9% topline growth to S\$623.1 million, compared to S\$491.1 million in 2022, from higher revenue contribution across all its business segments. Revenue from its real estate segment grew 25.5% to S\$419.9 million for the Year, largely due to the jump in revenue from its hospitality division, buoyed by strong recovery in the tourism and the meetings, incentives, conventions and exhibitions (MICE) sectors in Singapore, which resulted in higher contribution from the full re-opening of Hilton Singapore Orchard since January 2023 and Crowne Plaza Changi Airport. Riding on the post-Pandemic recovery landscape, Crowne Plaza Changi Airport underwent a S\$22 million asset enhancement initiative to transform the underutilised spaces into additional guest rooms, increasing its inventory to 575 rooms, and meeting facilities to cater to the growing MICE demand and further drive sustainable returns.

OUE Real Estate Investment Trust ("OUE REIT", formerly known as OUE Commercial Real Estate Investment Trust), a subsidiary of OUE, is celebrating a significant milestone this year – its 10th year since listing in 2014, marking an incredible decade-long growth journey. In conjunction with its 10th anniversary, OUE REIT was rebranded from its former name in January 2024. This rebranding aims to better reflect its focus on the hospitality, office and retail sectors, aligning its identity with its core business areas.

To create a comprehensive regional healthcare ecosystem anchored on Singapore's renowned medical standards, OUE's healthcare arm, OUE Healthcare Limited ("OUEH", together with its subsidiaries, the "OUEH Group"), achieved significant milestones in 2023. In May 2023, the OUEH Group launched its inaugural joint venture hospital with 100 beds in Changshu, Jiangsu Province, the People's Republic of China. This hospital provides a wide range of premium obstetrics, gynaecology, paediatric and other medical services, reflecting its dedication to delivering excellence in healthcare. Further, in October 2023, the OUEH Group successfully completed the exit offer for Healthway Medical Corporation Limited ("Healthway") and Healthway was voluntarily delisted from the Singapore Exchange Securities Trading Limited in November 2023. With over three decades of experience in Singapore's healthcare sector, Healthway is a highly regarded medical group. Its network includes more than 130 clinics and medical centres, mainly in Singapore, offering a wide range of services such as primary, secondary and ancillary care services, encompassing general practitioners, family medicine clinics, health screenings, specialists, dental services and allied healthcare services. This strategic transaction positions OUEH to capitalise on potential synergies, driving cost efficiencies through streamlined operations and economies of scale, further solidifying its commitment to advancing healthcare excellence in the region. The strategic investment in Healthway marks a significant step for the OUEH Group as it strengthens its position in developing an integrated regional healthcare ecosystem focused on Singapore's renowned medical excellence. The expanded OUEH Group will serve as a collaborative platform for all its healthcare business verticals to enhance growth, development and scalability across the region.

Chairman's Statement *(continued)*

Downside risks in the global economy remain significant. Elevated trade tensions between the U.S. and mainland China, the ongoing Russia-Ukraine war and conflict in the Middle East all point to continued uncertainties and risks heading into 2024. Amid such challenging environment, the Group and its joint ventures will enhance the stability and resilience of their businesses and investment portfolios to optimise returns to their stakeholders. The Group and its joint ventures will also cultivate a culture of sustainability which aims at minimising their environmental footprint.

I would like to extend my heartfelt appreciation to our shareholders, fellow directors, management and all staff for their contributions and continued support during the Year.

Stephen Riady
Chairman

27 March 2024

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2023 (the “Year”).

BUSINESS REVIEW

Overview

With the COVID-19 pandemic (the “Pandemic”) health crisis over, the global economy gradually recovered from the Pandemic in 2023 but growth remained sluggish. Forces hindered growth such as high interest rates, tight monetary and fiscal policies and geopolitical tensions persisted during the Year. The Singapore economy expanded by 1.1% in 2023 which was lower than the 3.8% expansion in 2022. Following the removal of the Pandemic’s restrictions and the opening of its borders, the economy of mainland China recorded a significant rebound in the first quarter of the Year. However, mainland China’s economy was affected by the weak property market and consumption growth during the Year.

Results for the Year

Against this backdrop, the Company and its subsidiaries (collectively, the “Group”) recorded a consolidated profit attributable to shareholders of HK\$157 million for the Year, as compared to a consolidated profit of HK\$489 million for the year ended 31 December 2022 (“2022”). The drop was mainly attributable to the decrease in share of profit of the Group’s joint ventures for the Year.

Revenue for the Year amounted to HK\$75 million (2022 — HK\$72 million). Property investment business contributed to 94% (2022 — 96%) of total revenue for the Year.

The Group’s other operating expenses mainly included legal and professional fees and consultancy and service fees. Other operating expenses amounted to HK\$19 million for the Year (2022 — HK\$20 million). Finance costs increased to HK\$27 million (2022 — HK\$11 million), which was largely driven by higher interest rates during the Year.

Property investment

Segment revenue from the property investment business was mainly attributable to recurrent rental income from the Group’s investment properties and interest income from the loans to the Group’s joint ventures. Segment revenue for the Year amounted to HK\$70 million (2022 — HK\$69 million). The Group’s property investment portfolio mainly comprises properties in mainland China, Singapore and the United States of America. The Group recorded a fair value loss on investment properties of HK\$8 million for the Year (2022 — HK\$5 million) as the property market in mainland China remains challenging. Coupled with the impact of higher finance costs, segment profit before accounting for the share of results from the Group’s joint ventures decreased to HK\$28 million for the Year (2022 — HK\$47 million).

Lippo ASM Asia Property Limited (“LAAPL”, together with its subsidiaries, the “LAAPL Group”), a principal joint venture of the Group, is the vehicle holding a controlling stake in OUE Limited (“OUE”, together with its subsidiaries, the “OUE Group”), a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The OUE Group is a leading real estate and healthcare group, growing strategically to capitalise on growth trends across Asia. OUE’s real estate activities include the development, investment and management of real estate assets across the commercial, hospitality, retail and residential sectors. As at 31 December 2023, the LAAPL Group had an equity interest of approximately 73.36% in OUE.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment (continued)

To better reflect its current focus on growth opportunities in the hospitality, office and retail sectors, and its commitment to providing resilient and sustainable return through portfolio diversification, OUE Commercial Real Estate Investment Trust was rebranded to OUE Real Estate Investment Trust (“OUE REIT”) in January 2024. OUE REIT, a subsidiary of OUE, is one of Singapore’s largest diversified REITs listed on the SGX-ST. The property portfolio of OUE REIT includes OUE Bayfront, One Raffles Place, OUE Downtown Office, Hilton Singapore Orchard, the adjoining Mandarin Gallery and Crowne Plaza Changi Airport in Singapore as well as Lippo Plaza in Shanghai, the People’s Republic of China (the “PRC”). The LAAPL Group had an aggregate of approximately 49.52% interest in OUE REIT as at 31 December 2023.

OUE REIT achieved a strong operational performance in its Singapore portfolio for the Year which was mainly driven by the full inventory of 1,080 rooms of Hilton Singapore Orchard from January 2023. In December 2023, OUE REIT completed the S\$22 million asset enhancement initiative for Crowne Plaza Changi Airport which now operates a full inventory of 575 rooms and is well-positioned to capture the increase in tourists and business travellers in 2024 and beyond. With effect from 9 February 2024, Chinese citizens are exempted from visa requirements to enter Singapore for stays of up to 30 days, further supporting higher tourist arrivals into Singapore. OUE REIT recorded stable occupancies and rental growth in its Singapore commercial properties. Committed occupancy in its Singapore office portfolio remained healthy at 95.2% as at 31 December 2023. Mandarin Gallery’s committed occupancy (excluding short-term leases) remained high at 96.6%. Including short-term leases, the committed occupancy was 97.6% with a positive rental reversion of 29.8% in the fourth quarter of 2023, backed by positive retailer sentiment.

OUE Healthcare Limited (“OUEH”, formerly known as OUE Lippo Healthcare Limited, together with its subsidiaries, the “OUEH Group”), a subsidiary of OUE listed on the sponsor-supervised listing platform (the “Catalist Board”) of the SGX-ST, is a regional healthcare group that operates and owns high-quality healthcare assets in high-growth Asian markets. As at 31 December 2023, the OUE Group owned approximately 70.36% equity interest in OUEH.

In October 2023, a wholly-owned subsidiary of OUEH completed the exit offer for Healthway Medical Corporation Limited (“Healthway”, together with its subsidiaries, the “Healthway Group”, previously listed on the Catalist Board) and acquired 26.24% interest in Healthway. This enables the OUEH Group to significantly expand its healthcare network to over 130 clinics held by Healthway, mainly in Singapore, encompassing a comprehensive array of healthcare services covering primary, secondary and ancillary care. The addition of Healthway further strengthens the OUEH Group’s regional network and Singapore’s businesses, which also comprises O2 Healthcare Group, a team of trained lung specialists with expertise in cardiac surgery, thoracic surgery, pulmonary medicine and intensive care. O2 Healthcare Group currently consists of three respiratory and cardiothoracic specialist groups with 11 physicians and two cardiothoracic surgeons in Singapore. The enlarged OUEH Group, with the addition of the Healthway Group, will be well-positioned to provide a comprehensive spectrum of healthcare services to the region, anchored on Singapore’s high standard of medical excellence. In mainland China, the Changshu China Merchants-Lippo Obstetrics & Gynaecology Hospital (the “Changshu Hospital”), with a total capacity of 100 beds, was officially commissioned in May 2023. The Changshu Hospital provides premium obstetrics, gynaecology, paediatric and other related medical services to patients in Changshu, Suzhou and the Yangtze River Delta region. The Shenzhen China Merchants-Lippo Prince Bay Hospital (the “Prince Bay Hospital”) is on course to be commissioned in the second half of 2024. It is positioned as a premium general hospital providing services of international standards to meet the discerning demands of the affluent population in the Greater Bay Area. Both the Changshu Hospital and the Prince Bay Hospital are the OUEH Group’s joint venture with the China Merchants Group.

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Results for the Year *(continued)*

Property investment (continued)

As at 31 December 2023, the OUE Group (including that held through the OUEH Group) had an approximately 44.71% interest in First Real Estate Investment Trust (“First REIT”), which is listed on the Mainboard of the SGX-ST. First REIT is a healthcare real estate investment trust focused on investing in income-producing real estate projects which are primarily used for healthcare and/or healthcare-related purposes. As at 31 December 2023, First REIT has 32 properties comprising 14 nursing homes in Japan, 11 hospitals, two integrated hospitals and malls, an integrated hospital and hotel and a hotel and country club in Indonesia and three nursing homes in Singapore. The population in Japan and Singapore is aging rapidly. In Indonesia, a lack of access to healthcare has resulted in approximately two million Indonesians seeking healthcare services abroad every year. The Indonesian government has been pushing for health system reform to improve healthcare facilities and hospitality which may ramp up public-private partnership initiatives. Healthcare real estate continues to be a resilient asset class with robust demand fundamentals.

The Group recorded a share of profit of joint ventures of HK\$174 million from its investment in LAAPL for the Year (2022 — HK\$554 million). The decrease was mainly attributable to lower profit contribution from the joint venture’s equity-accounted investees. Coupled with share of foreign exchange translation losses of overseas operations of the LAAPL Group and share of fair value loss of its financial assets at fair value through other comprehensive income in reserves during the Year, the Group’s total interests in LAAPL as at 31 December 2023 amounted to HK\$10.3 billion (31 December 2022 — HK\$10.3 billion).

Property development

The sale of the remaining properties at Lippo Plaza in Beijing, the PRC remained stagnant during the Year due to the sustained downturn in the local property market. The segment recorded a loss of HK\$5 million for the Year (2022 — a profit of HK\$17 million, which included a HK\$22 million translation gain released from exchange equalisation reserve upon dissolution of a foreign operation) before accounting for the share of results from the Group’s associates.

Treasury and securities investments

The Group cautiously manages the mix of its investment portfolio and looks for opportunities to enhance yields. Total revenue from treasury and securities investments businesses for the Year amounted to HK\$3 million (2022 — HK\$1 million), which mainly came from interest income from the treasury investment portfolio. The Group recorded a net fair value loss of HK\$0.3 million in the statement of profit or loss from its securities investments for the Year (2022 — HK\$2 million). As a result, the treasury and securities investments businesses recorded a profit of HK\$3 million for the Year (2022 — loss of HK\$0.5 million).

Financial Position

A capital reorganisation (the “Capital Reorganisation”) of the Company took effect on 3 July 2023, pursuant to which, inter alia, the issued share capital of the Company was reduced by approximately HK\$1.8 billion with such reduction of issued share capital together with the share premium balance transferred to the contributed surplus account of the Company. Details of the Capital Reorganisation is stated in Note 26 to the financial statements. The Capital Reorganisation provides the Company with greater flexibility to raise capital and does not have any material impact on the financial position or performance of the Group.

The Group’s financial position remained healthy. As at 31 December 2023, its total assets amounted to HK\$11.2 billion (31 December 2022 — HK\$11.2 billion). Property-related assets amounted to HK\$11.0 billion as at 31 December 2023 (31 December 2022 — HK\$11.0 billion), representing 99% (31 December 2022 — 98%) of total assets. Total liabilities as at 31 December 2023 amounted to HK\$0.5 billion (31 December 2022 — HK\$0.5 billion). Total cash and cash equivalents as at 31 December 2023 amounted to HK\$0.1 billion (31 December 2022 — HK\$0.2 billion). Current ratio as at 31 December 2023 amounted to 4.6 (31 December 2022 — 5.7).

Report of the Directors *(continued)*

BUSINESS REVIEW *(continued)*

Financial Position *(continued)*

As at 31 December 2023, the Group's bank loans amounted to HK\$466 million (31 December 2022 — HK\$456 million). All bank loans were non-current liabilities, denominated in Hong Kong dollars and carried interest at floating rate. Where appropriate, the Group would use interest rate swaps to modify the interest rate characteristics of its borrowings to limit interest rate exposure. The gearing ratio (measured as total borrowings to equity attributable to equity holders of the Company) was 4.4% as at 31 December 2023 (31 December 2022 — 4.3%).

The net asset value attributable to equity holders of the Company amounted to HK\$10.6 billion as at 31 December 2023 (31 December 2022 — HK\$10.7 billion). This was equivalent to HK\$5.3 per share (31 December 2022 — HK\$5.3 per share).

The Group monitors the relative foreign exchange position of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure.

The Group had neither material contingent liabilities outstanding nor charges on the Group's assets at the end of the Year (31 December 2022 — Nil).

As at 31 December 2023, the Group's had no capital commitment (31 December 2022 — HK\$0.4 million). The Group's investments or capital assets will be financed by its internal resources and/or external bank financing, as appropriate.

Staff and Remuneration

The Group had 27 full-time employees as at 31 December 2023 (31 December 2022 — 41 full-time employees). Staff costs (including directors' emoluments) charged to the statement of profit or loss for the Year amounted to HK\$23 million (2022 — HK\$22 million). The Group ensures that its employees are offered competitive remuneration packages. The Group also provides benefits such as medical insurance and retirement funds to employees to sustain competitiveness of the Group.

PROSPECTS

The conflicts in Ukraine and the Middle East may continue to affect the global trade and investment. The Israel Hamas conflict has sharply heightened geopolitical risks. The disruption to key shipping routes caused by attacks on vessels in the Red Sea may affect the supply chains and increase production costs which in return, may increase the inflation pressures. The Ministry of Trade and Industry in Singapore has maintained the GDP growth forecast for Singapore for 2024 to 1.0% to 3.0%. It is expected that the recovery in the tourism in Singapore will continue in 2024. Mainland China continues to be affected by sluggish domestic consumption and export growth as well as weak property market conditions. Escalating geopolitical fragmentation, tighter credit availability and weaker business investment may affect the economic growth in 2024. Amid the challenging operating environment, the Group and its joint ventures will cautiously manage their businesses and monitor their assets and investment portfolios and will continue to exercise prudent capital management.

BUSINESS STRATEGY

The business activities of the Group are diversified. The Group is committed to achieving long term sustainable growth of its businesses in preserving and enhancing shareholder value. The Group is focused on selecting attractive investment opportunities to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

Report of the Directors *(continued)*

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries, associates and joint ventures are principally engaged in investment holding, property investment, property development, hotel operation, healthcare services, project management, securities investment and treasury investment.

The activities and other particulars of the principal subsidiaries, principal associates and principal joint ventures are set out in the financial statements on pages 142 to 144, page 145 and page 146, respectively.

There were no significant changes in the nature of these activities during the Year.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group and the Company as at 31 December 2023 are set out in the financial statements on pages 70 to 146.

No interim dividend was declared for the Year (2022 — HK1 cent per share). The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share (2022 — Nil) amounting to approximately HK\$20 million for the Year (2022 — Nil). Total dividends for the Year will be HK1 cent per share (2022 — HK1 cent per share) amounting to approximately HK\$20 million (2022 — approximately HK\$20 million).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial period/years is set out on page 149.

SHARE CAPITAL

Details of movement in the share capital of the Company are set out in Note 26 to the financial statements.

A special resolution was passed at the annual general meeting held on 2 June 2023 to approve the capital reorganisation of the Company (the "Capital Reorganisation"). The Capital Reorganisation involved, inter alia, the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.90 on each of the issued shares such that the par value of each issued share was reduced from HK\$1.00 to HK\$0.10 and the authorised share capital of the Company was changed to HK\$400,000,000 divided into 4,000,000,000 shares of par value of HK\$0.10 each. The Capital Reorganisation took effect on 3 July 2023.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company are set out in Note 36 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties during the Year are set out in Note 16 to the financial statements.

DONATIONS

During the Year, the Group did not make any charitable and other donations (2022 — HK\$780,000).

Report of the Directors *(continued)*

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were as follows:

Executive Directors

Dr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee, BBS, JP (*Chief Executive Officer*)

Mr. Brian Riady (appointed on 30 March 2023)

Non-executive Director

Mr. Leon Nim Leung Chan

Independent non-executive Directors

Mr. King Fai Tsui

Mr. Edwin Neo

Ms. Min Yen Goh

In accordance with Bye-law 84 of the Company's Bye-laws (the "Bye-laws"), Messrs. Edwin Neo, John Luen Wai Lee and Leon Nim Leung Chan will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. King Fai Tsui entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30 September 2022. Ms. Min Yen Goh entered into a letter agreement with the Company for her appointment as a Director of the Company for a term of two years commencing from 30 December 2022. Each of Dr. Stephen Riady and Mr. John Luen Wai Lee entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1 January 2023. Mr. Brian Riady entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 30 March 2023. Following the expiry of the term under their respective former letter agreements with the Company, each of Messrs. Leon Nim Leung Chan and Edwin Neo entered into a letter agreement with the Company for his appointment as a Director of the Company for a term of two years commencing from 1 January 2024. All the above letter agreements are terminable by either party by giving three months' prior written notice. The term of office of the Directors is also subject to the provisions of the Bye-laws. In accordance with the Bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting and their re-election is subject to a vote of shareholders. Every Director is also subject to retirement at least once every three years.

In addition, Dr. Stephen Riady entered into an employment agreement (as supplemented) for his employment as an Executive President of the Company with effect from 1 January 2015. Mr. John Luen Wai Lee entered into an employment agreement (as supplemented) for his employment as the Chief Executive Officer of the Company with effect from 1 January 2015. The above employment agreements are terminable by either party by giving three months' prior written notice.

Report of the Directors *(continued)*

DIRECTORS *(continued)*

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

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company considers such Directors to be independent.

Under the Company's Bye-laws, every Director or other officer of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. A Directors' and officers' liability insurance is in place to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Stephen Riady (former name: Stephen Tjondro Riady), aged 63, was appointed a Director of the Company in September 1992 and is the Chairman of the board of directors of the Company. Dr. Riady is also an executive director and the Chairman of the board of directors of Lippo Limited ("Lippo") and Lippo China Resources Limited ("LCR"), both are public listed companies in Hong Kong. He has been the Executive President of each of the Company, Lippo and LCR since January 2015. He is a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR. Dr. Riady also holds directorships in certain subsidiaries of the Company, Lippo and LCR. He is the Executive Chairman and Group Chief Executive Officer of OUE Limited ("OUE"), a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). He resigned as a non-executive non-independent director of Healthway Medical Corporation Limited, a company formerly listed on the sponsor-supervised listing platform of the SGX-ST, in November 2023. Dr. Riady is a director of Lippo Capital Group Limited, Lippo Capital Holdings Company Limited and Lippo Capital Limited which, together with Lippo, have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (the "SFO"). Dr. Riady is a graduate of the University of Southern California, the United States of America and holds a Master of Business Administration from Golden Gate University, the United States of America and an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University, the United Kingdom. He is one of the first Honorary University Fellows installed by the Hong Kong Baptist University in September 2006. Dr. Riady is the father of Mr. Brian Riady who is an executive Director of each of the Company, Lippo and LCR and a director of certain subsidiaries of LCR which in turn is a subsidiary of Lippo. Dr. Riady is the spouse of Madam Shincee Leonardi ("Madam Leonardi") and a brother of Mr. James Tjahaja Riady ("Mr. James Riady"). Madam Aileen Hambali ("Madam Hambali") is the spouse of Mr. James Riady. Interests of Madam Leonardi, Mr. James Riady and Madam Hambali in the Company are disclosed in the section headed "Interests and short positions of shareholders discloseable under the Securities and Futures Ordinance" below.

Report of the Directors *(continued)*

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Mr. John Luen Wai Lee, BBS, JP, aged 75, was appointed a Director of the Company in September 1992 and is the Chief Executive Officer of the Company. Mr. Lee is the Managing Director and the Chief Executive Officer of Lippo. He is an executive director and the Chief Executive Officer of LCR, as well as an independent non-executive director of New World Development Company Limited and UMP Healthcare Holdings Limited, both are public listed companies in Hong Kong. He is a director of Hennessy Holdings Limited which, together with Lippo, has discloseable interests in the Company under the provisions of the SFO. He is a director of Huge Success Limited which ceased to be a substantial shareholder of the Company in July 2023. Mr. Lee is an authorised representative of the Company, Lippo and LCR. In addition, he holds directorships in certain subsidiaries of the Company, Lippo and LCR. Mr. Lee is a Fellow of The Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He was a partner of Price Waterhouse (now known as PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong, a Justice of Peace in Hong Kong and an awardee of the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Mr. Lee is active in public service. Over the years, he has served as a member or chairman of different government boards and committees in Hong Kong, including a member of the Hong Kong Hospital Authority and the Chairman of the Hospital Governing Committee of the Queen Elizabeth Hospital. Currently, he serves as the Chairman of the Hospital Governing Committee of Hong Kong Children's Hospital.

Mr. Brian Riady, aged 33, was appointed an executive Director of the Company in March 2023. Mr. Riady holds a Bachelor of Science (Political Communication) and a Bachelor of Arts (Economics) from the University of Texas at Austin, the United States of America. He attended the Executive Education programs at the Harvard Business School. Mr. Riady is also an executive director of Lippo and LCR. He is the Deputy Chief Executive Officer and Executive Director of OUE. Mr. Riady is also a non-independent non-executive director of OUE REIT Management Pte. Ltd. (formerly known as OUE Commercial REIT Management Pte. Ltd.) (the manager of OUE Real Estate Investment Trust ("OUE REIT", formerly known as OUE Commercial Real Estate Investment Trust)). He resigned as a non-independent and non-executive director of OUE Healthcare Limited ("OUEH", formerly known as OUE Lippo Healthcare Limited) in January 2024. OUE REIT and OUEH are listed on the SGX-ST. He also holds directorships in certain subsidiaries of LCR which in turn is a subsidiary of Lippo. Mr. Riady is the son of Dr. Stephen Riady and Madam Leonardi and a nephew of Mr. James Riady and Madam Hambali.

Mr. Leon Nim Leung Chan, aged 68, was appointed a Director of the Company in September 1992 and was re-designated from independent non-executive Director to non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He was a member of the Solicitors Disciplinary Tribunal from May 1993 to April 2008. He is also a non-executive director of Lippo and LCR. Mr. Chan is a member of the Audit Committee, Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR. Mr. Chan was appointed as an independent non-executive director of Midland Holdings Limited, a public listed company in Hong Kong, in December 2023.

Report of the Directors *(continued)*

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Mr. King Fai Tsui, aged 74, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is an independent non-executive director of Vinda International Holdings Limited and Newton Resources Ltd, both are public listed companies in Hong Kong. He has over 40 years of extensive experience in accounting, finance and investment management, particularly in investments in mainland China. Mr. Tsui worked for two of the Big Four audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Accountants Australia and New Zealand and a member of the American Institute of Certified Public Accountants. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accountancy and a Bachelor of Business Administration with first class honours. He is an independent non-executive director of Lippo. Mr. Tsui is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee and Nomination Committee of Lippo.

Mr. Edwin Neo, aged 74, was appointed an independent non-executive Director of the Company in January 2018. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. Mr. Neo is a practising lawyer and a notary public and is presently the senior partner of Hoosenally & Neo, Solicitors & Notaries. Mr. Neo holds a Bachelor of Laws degree with honours and Post-graduate Certificate in Laws from The University of Hong Kong. He is an independent non-executive director of LCR. Mr. Neo is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee and Nomination Committee of LCR. He was an independent non-executive Director of the Company from 16 January 1995 to 10 March 1998.

Ms. Min Yen Goh, aged 63, was appointed an independent non-executive Director of the Company in December 2022. Ms. Goh obtained a Bachelor of Science in Economics and Finance with high distinction from Babson College in the United States of America. Ms. Goh is currently the managing director of Eng Wah Group and a director of Eng Wah Global Pte. Ltd. Ms. Goh was a director of Eng Wah Organization Limited, which was listed on the Mainboard of the SGX-ST before it was privatized in 2008. She is an independent director of OUE. Ms. Goh is also an independent non-executive director of Lippo and LCR. Ms. Goh is a member of the Remuneration Committee and Nomination Committee of each of the Company, Lippo and LCR.

Details of the interests of the Directors in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below.

Save as disclosed herein and in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" below, the Directors do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Report of the Directors *(continued)*

DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the emoluments of the Directors on a named basis and the five highest paid employees in the Group are set out in Notes 8 and 9 to the financial statements, respectively.

The emoluments of the Directors are determined by reference to the market rates, time commitment and their duties and responsibilities as well as employment conditions elsewhere in the Group.

The emoluments of the Directors for the Year have been covered by their respective letter agreements and/or employment agreements (as applicable) with the Company and/or paid under the relevant statutory requirement save for the discretionary bonus of Dr. Stephen Riady in an amount of HK\$87,150.

Dr. Stephen Riady and Mr. John Luen Wai Lee are entitled to receive salaries, discretionary bonuses and other fringe benefits for the executive roles in the Company under their respective employment agreements with the Company.

Further details of the above Directors' emoluments are disclosed in Note 8 to the financial statements.

Each of the Directors of the Company is entitled to receive a director's fee from the Company. The director's fee was adjusted from HK\$258,000 per annum to HK\$265,200 per annum with effect from 1 April 2023. The director's fee paid to each of the Directors of the Company (on a 12-month basis) was HK\$263,400 for the Year. A non-executive Director will also receive additional fees for duties assigned to and services provided by him/her as Chairmen and/or members of various board committees of the Company. The fees paid to the non-executive Directors (on a 12-month basis) for serving as the Chairmen and/or members of various board committees of the Company for the Year were as follows:

| | HK\$ |
|----------|--------|
| Chairman | 87,000 |
| Member | 56,100 |

Report of the Directors *(continued)*

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

As at 31 December 2023, the interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations"), as recorded in the register required to be kept by the Company under Section 352 of 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 under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

Interests in shares and underlying shares of the Company and Associated Corporations

| Name of Director | Personal interests (held as beneficial owner) | Family interests (interest of spouse) | Corporate interests (interest of controlled corporations) | Other interests | Total interests | Approximate percentage of total interests in the issued shares |
|---|---|---------------------------------------|---|-----------------------------|-----------------|--|
| Number of ordinary shares of HK\$0.10 each in the Company | | | | | | |
| Stephen Riady | – | – | 1,477,715,492 <i>Notes (i) and (ii)</i> | – | 1,477,715,492 | 73.95 |
| John Luen Wai Lee | 2,000,270 | 270 | – | – | 2,000,540 | 0.10 |
| King Fai Tsui | 600,000 | 75,000 | – | – | 675,000 | 0.03 |
| Number of ordinary shares in Lippo Limited ("Lippo") | | | | | | |
| Stephen Riady | – | – | 369,800,219 <i>Note (i)</i> | – | 369,800,219 | 74.98 |
| John Luen Wai Lee | 1,031,250 | – | – | – | 1,031,250 | 0.21 |
| Number of ordinary shares in Lippo China Resources Limited ("LCR") | | | | | | |
| Stephen Riady | – | – | 689,018,438 <i>Notes (i) and (iii)</i> | – | 689,018,438 | 74.99 |
| Min Yen Goh | – | – | – | 200,000 <i>Note (iv)</i> | 200,000 | 0.02 |

Note:

- (i) As at 31 December 2023, Lippo Capital Limited ("Lippo Capital"), an Associated Corporation of the Company, was directly interested in 369,800,219 ordinary shares in, representing approximately 74.98% of the issued shares of, Lippo. Lippo Capital was a 60% owned subsidiary of Lippo Capital Holdings Company Limited ("Lippo Capital Holdings"), an Associated Corporation of the Company, which in turn was a wholly-owned subsidiary of Lippo Capital Group Limited ("Lippo Capital Group"), an Associated Corporation of the Company. Dr. Stephen Riady ("Dr. Riady") was the beneficial owner of one ordinary share in, representing 100% of the issued share capital of, Lippo Capital Group.
- (ii) As at 31 December 2023, Lippo, through its 100% owned subsidiary, was indirectly interested in 1,477,715,492 ordinary shares of HK\$0.10 each in, representing approximately 73.95% of the issued shares of, the Company.
- (iii) As at 31 December 2023, Lippo, through its 100% owned subsidiary, was indirectly interested in 689,018,438 ordinary shares in, representing approximately 74.99% of the issued shares of, LCR.
- (iv) As at 31 December 2023, Ms. Min Yen Goh (in the capacity of an executor) was deemed to be interested in 200,000 ordinary shares in, representing approximately 0.02% of the issued shares of, LCR.

Report of the Directors *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

Interests in shares and underlying shares of the Company and Associated Corporations *(continued)*

As mentioned in Note (i) above, Dr. Riady was the beneficial owner of one ordinary share in, representing 100% of the issued share capital of, Lippo Capital Group. Through his interest in Lippo Capital Group, Dr. Riady was also interested or taken to be interested (through controlled corporations) in the issued shares of the following Associated Corporations of the Company as at 31 December 2023:

| Name of Associated Corporation | Note | Class of shares | Number of shares interested | Approximate percentage of interest in the issued shares |
|--|------|----------------------------|-----------------------------|---|
| Abital Trading Pte. Limited | (a) | Ordinary shares | 2 | 100 |
| Auric Digital Retail Pte. Ltd. ("Auric Digital") | (b) | Ordinary shares | 10 | 100 |
| Auric Pacific Group Limited ("Auric") | (c) | Ordinary shares | 80,618,551 | 65.48 |
| Bentham Holdings Limited | (d) | Ordinary shares | 1 | 100 |
| Boudry Limited | (a) | Ordinary shares | 10 | 100 |
| | (a) | Non-voting deferred shares | 1,000 | 100 |
| Brimming Fortune Limited | (a) | Ordinary shares | 1 | 100 |
| Broadwell Overseas Holdings Limited | (a) | Ordinary shares | 1 | 100 |
| Grand Peak Investment Limited | (a) | Ordinary shares | 2 | 100 |
| Greenorth Holdings Limited | (a) | Ordinary shares | 1 | 100 |
| Healthway Medical Corporation Limited ("Healthway") | (e) | Ordinary shares | 3,038,634,828 | 67 |
| Hennessy Holdings Limited | (f) | Ordinary shares | 1 | 100 |
| HKCL Investments Limited | (a) | Ordinary shares | 1 | 100 |
| Huge Success Limited | (f) | Ordinary shares | 1 | 100 |
| International Realty (Singapore) Pte. Limited | (a) | Ordinary shares | 2 | 100 |
| J & S Company Limited | (a) | Ordinary shares | 1 | 100 |
| Lippo Assets (International) Limited | (a) | Ordinary shares | 1 | 100 |
| | (a) | Non-voting deferred shares | 15,999,999 | 100 |
| Lippo Capital | (d) | Ordinary shares | 423,414,001 | 60 |
| Lippo Capital Holdings | (g) | Ordinary shares | 1 | 100 |
| Lippo Investments Limited | (a) | Ordinary shares | 2 | 100 |
| Lippo Realty Limited | (a) | Ordinary shares | 2 | 100 |
| MG Superteam Pte. Ltd. | (a) | Ordinary shares | 1 | 100 |
| Multi-World Builders & Development Corporation | (a) | Ordinary shares | 4,080 | 51 |
| PT Matahari Department Store Tbk. | (h) | Ordinary shares | 1,549,633,796 | 68.56 |
| Skyscraper Realty Limited | (f) | Ordinary shares | 10 | 100 |
| Superfood Retail Limited ("Superfood") | (i) | Ordinary shares | 10,000 | 100 |
| The HCB General Investment (Singapore) Pte Ltd | (a) | Ordinary shares | 100,000 | 100 |
| Valencia Development Limited | (a) | Ordinary shares | 800,000 | 100 |
| | (a) | Non-voting deferred shares | 200,000 | 100 |
| Winroot Holdings Limited | (a) | Ordinary shares | 1 | 100 |

Report of the Directors *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

Interests in shares and underlying shares of the Company and Associated Corporations *(continued)*

Note:

- (a) Such share(s) was/were 100% held directly or indirectly by Lippo Capital, a 60% owned indirect subsidiary of Lippo Capital Group.
- (b) Of these shares, 6 ordinary shares were held by Auric Bespoke I Pte. Ltd. ("Auric Bespoke") and 4 ordinary shares were held by OUE Retail Holdings Pte. Ltd. ("OUE Retail"). Auric Bespoke was a wholly-owned subsidiary of Auric Capital Holdings Limited which was owned as to 50% by Edgemont Hill Holdings Limited ("Edgemont"). Edgemont was wholly owned by Dr. Riady. OUE Retail was 100% owned direct subsidiary of OUE Limited ("OUE"). OUE was indirectly owned as to approximately 73.36% by Fortune Crane Limited ("FCL"). The Company, through its 50% joint venture, Lippo ASM Asia Property Limited, held approximately 92.05% interest in FCL. Details of Dr. Riady's interest in the Company are disclosed in Notes (i) and (ii) above.
- (c) Of these shares, 4,999,283 ordinary shares were held by Jeremiah Holdings Limited ("Jeremiah"), a 60% owned indirect subsidiary of LCR; 20,004,000 ordinary shares were held by Nine Heritage Pte Ltd ("Nine Heritage"), an 80% owned direct subsidiary of Jeremiah; 36,165,052 ordinary shares were held by Pantogon Holdings Pte Ltd ("Pantogon"), a 100% owned indirect subsidiary of LCR and 759,000 ordinary shares were held by Max Turbo Limited ("Max Turbo"), a 100% owned indirect subsidiary of LCR. Details of Dr. Riady's interest in LCR are disclosed in Notes (i) and (iii) above. In addition, as at 31 December 2023, 18,691,216 ordinary shares were held by Silver Creek Capital Pte. Ltd. ("Silver Creek"). Dr. Riady, through companies controlled by him, is the beneficial owner of 100% of the issued shares in Silver Creek. Accordingly, Dr. Riady was taken to be interested in an aggregate of 80,618,551 ordinary shares in, representing approximately 65.48% of the issued shares of, Auric.
- (d) Such share(s) was/were held directly by Lippo Capital Holdings which in turn was a direct wholly-owned subsidiary of Lippo Capital Group.
- (e) Of these shares, 253,865,182 ordinary shares were held by Continental Equity Inc. ("Continental Equity"); 1,594,776,083 ordinary shares were held by Gentle Care Pte. Ltd. ("Gentle Care") and 1,189,993,563 ordinary shares were held by OUEH Investments Pte. Ltd., a 70.36% owned indirect subsidiary of OUE. Continental Equity and Gentle Care were 100% owned indirect subsidiaries of LCR. Accordingly, Dr. Riady was taken to be interested in an aggregate of 3,038,634,828 ordinary shares in, representing approximately 67% of the issued shares of, Healthway. Details of Dr. Riady's interest in OUE and LCR are disclosed in Notes (b), (i) and (iii) above.
- (f) Such share(s) was/were 100% held directly by Lippo. Details of Dr. Riady's interest in Lippo are disclosed in Note (i) above.
- (g) Such share was 100% held directly by Lippo Capital Group.
- (h) Of these shares, 209,992,000 ordinary shares were held by PT Multipolar Tbk. ("PT Multipolar"); 100,000,000 ordinary shares were held by PT Cahaya Investama ("PT Cahaya"); 100,000,000 ordinary shares were held by PT Surya Cipta Investama ("PT Surya"); 100,000,000 ordinary shares were held by PT Reksa Puspita Karya ("PT Reksa"); 960,021,796 ordinary shares were held by Auric Digital and 79,620,000 ordinary shares were held by OUE Investments Pte. Ltd., a 100% owned direct subsidiary of OUE. PT Cahaya, PT Surya and PT Reksa were owned as to 99.99% by PT Multipolar. PT Multipolar was owned as to 42.03% by PT Inti Anugerah Pratama which in turn was owned as to 40% by Fullerton Capital Limited ("Fullerton"). Dr. Riady, through a company controlled by him, is the beneficial owner of 100% of the issued shares in Fullerton. Details of Dr. Riady's interest in Auric Digital and OUE are disclosed in Note (b) above.
- (i) Of these shares, 1,625 ordinary shares were held by Nine Heritage; 2,937 ordinary shares were held by Pantogon; 406 ordinary shares were held by Jeremiah; 62 ordinary shares were held by Max Turbo and 4,970 ordinary shares were held by Oddish Ventures Pte. Ltd., a 100% owned indirect subsidiary of OUE. Accordingly, Dr. Riady was taken to be interested in an aggregate of 10,000 ordinary shares in, representing 100% of the issued shares of, Superfood. Details of Dr. Riady's interest in OUE and LCR are disclosed in Notes (b), (i) and (iii) above.

As at 31 December 2023, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its Associated Corporations.

All the interests stated above represented long positions. Save as disclosed herein, as at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its Associated Corporations which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at 31 December 2023, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its Associated Corporations.

Report of the Directors *(continued)*

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company's Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. A Directors' and Officers' Liability Insurance was taken out and maintained throughout the Year, which provides appropriate cover for, inter alia, the Directors of the Company and its subsidiaries.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2023, so far as is known to the Directors of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") as follows:

Interests of substantial shareholders in shares of the Company

| Name of substantial shareholder | Number of ordinary shares | Approximate percentage of the issued shares |
|---|---------------------------|---|
| Hennessy Holdings Limited ("Hennessy") | 1,477,715,492 | 73.95 |
| Lippo Limited ("Lippo") | 1,477,715,492 | 73.95 |
| Lippo Capital Limited ("Lippo Capital") | 1,477,715,492 | 73.95 |
| Lippo Capital Holdings Company Limited ("Lippo Capital Holdings") | 1,477,715,492 | 73.95 |
| Lippo Capital Group Limited ("Lippo Capital Group") | 1,477,715,492 | 73.95 |
| Madam Shincee Leonardi | 1,477,715,492 | 73.95 |
| PT Trijaya Utama Mandiri ("PT TUM") | 1,477,715,492 | 73.95 |
| Mr. James Tjahaja Riady | 1,477,715,492 | 73.95 |
| Madam Aileen Hambali | 1,477,715,492 | 73.95 |

Report of the Directors *(continued)*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE *(continued)*

Interests of substantial shareholders in shares of the Company *(continued)*

Note:

1. Hennessy, the immediate holding company of the Company, as beneficial owner, directly held 1,477,715,492 ordinary shares in, representing approximately 73.95% of the issued shares of, the Company.
2. Lippo directly owned 100% of the issued share capital of Hennessy.
3. Lippo Capital was directly interested in 369,800,219 ordinary shares in, representing approximately 74.98% of the issued shares of, Lippo.
4. Lippo Capital Holdings owned 60% of the issued shares in Lippo Capital. Lippo Capital Group owned 100% of the issued share capital of Lippo Capital Holdings. Dr. Stephen Riady was the beneficial owner of 100% of the issued share capital of Lippo Capital Group. Madam Shincee Leonardi is the spouse of Dr. Stephen Riady.
5. PT TUM owned the remaining 40% of the issued shares in Lippo Capital. PT TUM was wholly owned by Mr. James Tjahaja Riady who is a brother of Dr. Stephen Riady. Madam Aileen Hambali is the spouse of Mr. James Tjahaja Riady.
6. Hennessy's interests in the ordinary shares of the Company were recorded as the interests of Lippo, Lippo Capital, Lippo Capital Holdings, Lippo Capital Group, Madam Shincee Leonardi, PT TUM, Mr. James Tjahaja Riady and Madam Aileen Hambali. The above 1,477,715,492 ordinary shares in the Company related to the same block of shares that Dr. Stephen Riady was interested, details of which are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

All the interests stated above represented long positions. Save as disclosed herein, as at 31 December 2023, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Lippo Group (a general reference to the companies in which Dr. Stephen Riady and his family members have a direct or indirect interest) is not a legal entity and does not operate as one. Each of the companies in the Lippo Group operates within its own legal, corporate and financial framework. As at 31 December 2023, the Lippo Group might have had or developed interests in business in Hong Kong and other parts in Asia similar to those of the Group and there was a chance that such businesses might have competed with the businesses of the Group.

Dr. Stephen Riady, Mr. John Luen Wai Lee, Mr. Brian Riady, Mr. Leon Nim Leung Chan and Ms. Min Yen Goh are also directors of Lippo Limited ("Lippo"), an intermediate holding company of the Company, and Lippo China Resources Limited ("LCR"), a fellow subsidiary of the Company. Mr. King Fai Tsui is also a director of Lippo. Mr. Edwin Neo is also a director of LCR. Further details of the Directors' interests in Lippo and LCR are disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations". Subsidiaries of Lippo and LCR are also engaged in property investment and property development.

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(continued)*

The Directors of the Company are fully aware of, and have been discharging, their fiduciary duty to the Company. The Company and its Directors would comply with the relevant requirements of the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") whenever a Director has any conflict of interest in the transaction(s) with the Company.

Save as disclosed herein, during the Year and up to the date of this report, none of the Directors are considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group required to be disclosed under the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The Group has granted financial assistance to Fortune Crane Limited ("FCL"), a subsidiary of Lippo ASM Asia Property Limited which in turn is a principal joint venture of the Company. The relevant advances disclosed pursuant to rule 13.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and remained outstanding as at 31 December 2023 were granted under the following loan agreements:

- (i) a loan agreement dated 29 May 2015 between FCL and Pacific Landmark Holdings Limited ("PLH"), a then subsidiary of the Company, pursuant to which PLH agreed to advance a loan of S\$53,920,839.43 (the "Loan") to FCL;
- (ii) a loan agreement dated 28 August 2015 between FCL and PLH pursuant to which PLH agreed to make available a loan facility of S\$7,000,000 (the "Interim Loan") to FCL;
- (iii) a loan agreement dated 28 August 2015 between FCL and PLH pursuant to which PLH agreed to advance a further loan of S\$100,000,000 (the "Further Loan") to FCL;
- (iv) a loan agreement dated 12 October 2015 between FCL and PLH pursuant to which PLH agreed to make available a loan facility of S\$2,000,000 (the "Second Interim Loan") to FCL;
- (v) a loan agreement dated 30 November 2015 between FCL and PLH pursuant to which PLH agreed to make available a new loan facility of S\$38,000,000 (the "New Loan") to FCL;
- (vi) a loan agreement dated 19 July 2016 between FCL and PLH pursuant to which PLH agreed to make available a loan facility of approximately S\$14,959,000 (the "July 2016 Loan") to FCL; and
- (vii) a loan agreement dated 20 October 2016 between FCL and Polar Step Limited ("PSL"), a subsidiary of the Company, pursuant to which PSL agreed to make available a loan facility in the maximum principal amount of S\$155,000,000 (the "October 2016 Facility") to FCL. The October 2016 Facility was first drawn on 4 January 2017 (the "October 2016 Facility Drawdown Date") and is unsecured, subject to an interest rate of 2.25% per annum and repayable on demand.

Report of the Directors *(continued)*

DISCLOSURE PURSUANT TO RULE 13.20 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED *(continued)*

In addition, an unsecured loan of approximately S\$10,314,000 (the "June 2013 Loan") was advanced by PLH to FCL on 20 June 2013.

On 20 October 2016, PLH assigned all of its rights, interests, benefits and title in the June 2013 Loan, the Loan, the Further Loan and the July 2016 Loan to PSL. Pursuant to an amended and restated loan agreement dated 20 October 2016 between, inter alia, PSL and FCL, with effect from the October 2016 Facility Drawdown Date, the interest rate of each of the June 2013 Loan, the Loan, the Further Loan and the July 2016 Loan was amended from 6.5% per annum to 2.25% per annum and the repayment date was amended to repayable on demand.

On 4 January 2017, PLH assigned all of its rights, interests, benefits and title in the Interim Loan, the Second Interim Loan and the New Loan to PSL. Pursuant to an amended and restated loan agreement dated 4 January 2017 between, inter alia, PSL and FCL (which was replaced by a second amended and restated loan agreement dated 4 January 2021), with effect from 4 January 2017, the interest rate of each of the Interim Loan, the Second Interim Loan and the New Loan was amended from 6.5% per annum to 2.25% per annum and such loans will be repayable on demand.

FCL prepaid PSL S\$6,423,108.11 (the "Prepaid Loan") out of the Interim Loan in December 2020 and reborrowed the Prepaid Loan in January 2021 pursuant to a consent letter dated 20 December 2020 between, inter alia, PSL and FCL.

All the above advances to FCL are unsecured. As at 31 December 2023, the outstanding balance of the above advances amounted to approximately S\$380,420,000 (equivalent to approximately HK\$2,250,755,000).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed above and in Note 32 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the Year or at any time during the Year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the Year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Report of the Directors *(continued)*

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the percentage of revenue attributable to the Group's five largest customers combined was 87% of the Group's aggregate revenue and revenue attributable to the largest customer included therein amounted to 70%. During the Year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's aggregate purchases.

None of the Directors of the Company, their close associates or any shareholder (which to the best knowledge and belief of the Directors own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest suppliers and customers.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its brand competitiveness and dominant status, the Group aims at delivering constantly high standards of quality in the products and services to its customers. During the Year, there was no material and significant dispute between the Group and its suppliers and/or customers.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's retirement benefits costs charged to the consolidated statement of profit or loss for the Year are set out in Notes 2.4(v) and 7 to the financial statements, respectively.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company's Corporate Governance Report is set out on pages 24 to 35.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties were identified by the Group, details of which are disclosed in the Company's Risk Management Report as set out on pages 36 to 41. There may be other risks and uncertainties in addition to those shown in the above report which are not known to the Group or which may not be material now but could turn out to be material in the future.

ADOPTION OF DIVIDEND POLICY

The Board had approved and adopted a dividend policy for the Company in January 2019 that aims to set out the approach to determine the dividend to be payable by the Company, enhance transparency of the Company and facilitate shareholders and investors of the Company to make informed investment decisions. Details of the Company's dividend policy are disclosed in the Corporate Governance Report as set out on pages 24 to 35.

Report of the Directors *(continued)*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, social and governance (“ESG”) issues are fundamental to the Group’s sustainability. The conscientious use of resources and adoption of best practices across the Group’s businesses underlie its commitment to safeguarding the environment.

The Group obliges itself to maintain business integrity and uphold ethical standards. Guided by a belief in a fair business environment where labour, competition, privacy and intellectual property are respected, the Group makes every effort to communicate its expectations and standards to its business partners, customers and staff.

The development and opinion of staff are highly valued at the Group. By engaging staff in training opportunities and ongoing dialogues, the Group keeps its ears open for suggestions. The Group has incorporated a sound employment management system to ensure a fair, safe, healthy and diverse working environment.

In times of rapid change, competitiveness is defined by flexibility and adaptability. To answer the needs of the current and future generations, the Company carefully manages its environmental impacts according to its Environmental Policy. By optimising its operational practices, the Group continues to improve its use of resources.

Striving forward, the Company will adhere to its belief in sustainable development and improve its ESG performances with time. Capitalising on a wide scope of business, the Company will aim at spreading awareness and influence in different sectors to bring us closer to sustainability.

By publishing the Company’s ESG Report, the Company seizes the opportunity to disclose its sustainability performance and solicit stakeholder feedback. The Company’s ESG Report is set out on pages 42 to 64.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 existing shareholders.

AUDITOR

The financial statements for the Year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment.

On behalf of the Board
John Luen Wai Lee
Chief Executive Officer

Hong Kong, 27 March 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance practices. The Board of Directors of the Company (the “Board”) believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure they meet public and shareholders’ expectation, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance so as to safeguard the interests of shareholders and enhance shareholder value.

During the year ended 31 December 2023 (the “Year”), the Company continued to take measures to closely monitor and enhance its corporate governance practices so as to comply with the requirements of the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

To the best knowledge and belief of the Directors, the Directors consider that the Company has complied with the code provisions of the CG Code for the Year.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 of the Listing Rules as the code for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have fully complied with the required standard set out in the Model Code throughout the Year.

To enhance corporate governance, the Company has also established written guidelines no less exacting than the Model Code for the employees of the Group in respect of their dealings in the Company’s securities.

BOARD OF DIRECTORS

The Board currently comprises seven members (the composition of the Board is shown on page 10), including three executive Directors and four non-executive Directors of whom three are independent as defined under the Listing Rules (brief biographical details of the Directors are set out on pages 11 to 13). A list containing the names of the Directors and their roles and functions can also be found on the Company’s website (www.hkchinese.com.hk) and the Stock Exchange’s website (www.hkexnews.hk).

Mr. Brian Riady was appointed as an executive Director of the Company with effect from 30 March 2023. On 30 March 2023, he had obtained the legal advice referred to in rule 3.09D of the Listing Rules and had confirmed he understood his obligations as a Director of the Company.

Dr. Stephen Riady, an executive Director and the Chairman of the Board of the Company, is the father of Mr. Brian Riady, an executive Director of the Company. Save as disclosed herein, to the best knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Company has three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise under rule 3.10 of the Listing Rules. The Company has received from all the independent non-executive Directors the annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and considers that all independent non-executive Directors have met the independence guidelines of rule 3.13 of the Listing Rules.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

Mr. King Fai Tsui has served as an independent non-executive Director of the Company for more than nine years. In addition to his confirmation of independence in accordance with rule 3.13 of the Listing Rules, he continues to demonstrate the attributes of an independent non-executive Director by providing independent views and advice. He also continues to demonstrate his ability to exercise independent judgment and provide a balanced and objective view in relation to the Group's affairs. There is no evidence that his tenure has had any impact on his independence. The Directors have discussed and are of the opinion that Mr. King Fai Tsui remains independent notwithstanding the length of his service and they believe that his valuable knowledge and experience in the Group's business and his external experience continues to generate significant contribution to the Company and its shareholders as a whole. The continuous appointment of Mr. King Fai Tsui as an independent non-executive Director of the Company will help to maintain the stability of the Board.

To facilitate the gender diversity, Ms. Min Yen Goh was appointed as an independent non-executive Director of the Company and a member of the Remuneration Committee and Nomination Committee of the Board in December 2022.

Under the Company's Bye-laws (the "Bye-laws"), one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting and their re-election is subject to a vote of shareholders. In addition, every Director is subject to retirement at least once every three years. Under the Listing Rules, if an independent non-executive Director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. All the Directors have entered into letter agreements and/or employment agreements (as applicable) with the Company setting out the key terms and conditions of their respective appointment as Directors and/or executive role in the Company.

The Board oversees the Group's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. The Board has delegated certain functions to the relevant Board committees, details of which are disclosed below. Day-to-day management of the Group's business is delegated to the management of the Company under the supervision of the executive Directors. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, dividend policy, material policies and decisions, significant changes in accounting policies, material contracts, major investments and approval of interim reports, annual reports and announcements of interim and annual results. Management provides the Directors with management updates of the Group's operation, performance and position. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner. Legal and regulatory updates are provided to the Directors from time to time for their information so as to keep them abreast of the latest rule requirements and assist them in fulfilling their responsibilities. The Company Secretary may advise the Directors on queries raised or issues which arise in performance of their duties as directors. The Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense upon their request. The Board will review the implementation and effectiveness of such mechanisms on an annual basis to ensure independent views and input are available to the Board.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

The Board plays a leading role in defining the purpose, values and strategies of the Group and in fostering a culture that is forward looking. The Board sets the tone and shapes the corporate culture of the Group. The Group instils a culture that respects all the Group's stakeholders including, but not limited to, its customers, employees, shareholders and communities where the Group operates. The Group runs its businesses responsibly and sustainably. The Group aims for the highest standards of integrity and honesty and strives for innovative breakthroughs and leadership in all businesses.

Three Board committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, have been established to oversee particular aspects of the Group's affairs.

The Board meets regularly to review the financial and operating performance of the Group and other business units, and formulate future strategy. Four Board meetings were held during the Year.

During the Year, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

Individual attendance of each Director at the Board meetings and general meeting and each committee member at meetings of the Audit Committee, Remuneration Committee and Nomination Committee during the Year are set out below:

| Directors | Attendance/Number of Meetings | | | | |
|--|-------------------------------|-----------------|------------------------|----------------------|------------------|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee | General Meeting* |
| Executive Directors | | | | | |
| Dr. Stephen Riady (<i>Chairman</i>) | 3/4 | N/A | 3/3 | 3/3 | 1/1 |
| Mr. John Luen Wai Lee (<i>Chief Executive Officer</i>) | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Brian Riady (appointed on 30 March 2023) | 3/3 | N/A | N/A | N/A | 1/1 |
| Non-executive Director | | | | | |
| Mr. Leon Nim Leung Chan | 4/4 | 3/3 | 3/3 | 3/3 | 1/1 |
| Independent Non-executive Directors | | | | | |
| Mr. King Fai Tsui (<i>Chairman of the Audit Committee, Remuneration Committee and Nomination Committee</i>) | 4/4 | 3/3 | 3/3 | 3/3 | 1/1 |
| Mr. Edwin Neo | 4/4 | 3/3 | 3/3 | 3/3 | 1/1 |
| Ms. Min Yen Goh | 4/4 | N/A | 3/3 | 3/3 | 1/1 |

* the only general meeting of the Company held during the Year was the annual general meeting held on 2 June 2023 (the "2023 AGM").

Corporate Governance Report *(continued)*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer of the Company are segregated. Dr. Stephen Riady is the Chairman of the Board. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. Mr. John Luen Wai Lee is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

There are currently four non-executive Directors of whom three are independent. Under the Company's Bye-laws, every Director, including the non-executive Directors, shall be subject to retirement by rotation at least once every three years. All the non-executive Directors have a fixed term of contract of two years with the Company.

REMUNERATION OF DIRECTORS

A Remuneration Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). Following the amendments to the code provisions of the CG Code, the terms of reference of the Remuneration Committee were revised in January 2023. The Remuneration Committee has been delegated with the authority and responsibility to determine the remuneration packages of individual Directors and senior management. Senior management of the Company comprises Directors of the Company only.

The principal role of the Remuneration Committee is to exercise the powers of the Board to review and determine or make recommendations to the Board on the remuneration policy and remuneration packages of individual Directors and senior staff, including salaries, bonuses and benefits in kind. Salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group have been considered in determining the remuneration packages so as to align management incentives with shareholders' interests. During the Year, the Remuneration Committee reviewed and determined, with delegated responsibility, inter alia, (i) the remuneration packages of the Directors and senior staff; and (ii) service contracts of certain Directors (including the executive Directors). The Remuneration Committee also assessed the performance of the executive Directors.

Majority of the Remuneration Committee members are non-executive Directors and three of them are independent. The Remuneration Committee currently comprises five members including three independent non-executive Directors, namely Mr. King Fai Tsui (being the Chairman of the Remuneration Committee), Mr. Edwin Neo and Ms. Min Yen Goh, a non-executive Director, namely Mr. Leon Nim Leung Chan and an executive Director, namely Dr. Stephen Riady. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. Three meetings were held during the Year and the individual attendance of each member is set out above.

Details of Directors' emoluments and retirement benefits are disclosed in Notes 8 and 2.4(v) to the financial statements, respectively.

NOMINATION OF DIRECTORS

The Board has the power to appoint Director(s) pursuant to the Company's Bye-laws. Mr. Brian Riady was appointed as an executive Director of the Company with effect from 30 March 2023. In accordance with Bye-law 83(2) of the Company's Bye-laws, Mr. Brian Riady retired and, being eligible, was re-elected as a Director of the Company at the 2023 AGM.

A Nomination Committee was established by the Board in June 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The principal role of the Nomination Committee includes, inter alia, review of the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; assessment of the independence of independent non-executive Directors and make recommendations to the Board for the appointment of independent non-executive Directors; making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors in particular the Chairman of the Board and the chief executive; and to review the terms of reference of the Nomination Committee, the board diversity policy and the Directors' nomination policy and recommend to the Board any necessary changes required. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee and recommendation of the Nomination Committee are then put to the Board for decision. During the Year, the Nomination Committee reviewed, inter alia, the appointment of new executive Director and the eligibility of the Directors seeking for re-election at the 2023 AGM, and assessed the independence of the independent non-executive Directors. The Nomination Committee also reviewed the existing structure, size, composition, diversity and efficiency of the Board. In addition, the Nomination Committee reviewed and recommended to the Board on the re-election of retiring Directors at the forthcoming 2024 annual general meeting of the Company (the "2024 AGM").

With the support and recommendation of the Nomination Committee, the Board adopted the Directors' nomination policy (the "Nomination Policy") in January 2019. The Nomination Policy aims to, inter alia, set out the criteria and process in the nomination, appointment and re-election of Directors and ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company. The Nomination Committee is responsible to identify, evaluate and recommend potential candidates to the Board. The ultimate responsibility for selection and appointment of Directors rests with the entire Board and, where applicable, subject to the approval of the shareholders in general meeting.

Any Directors or shareholders may nominate any individuals as candidates for directorship for the consideration of the Nomination Committee in accordance with the Company's Bye-laws, any applicable policies or procedures of the Company and/or the Listing Rules from time to time. The procedures for such shareholders' nomination are published on the Company's website (www.hkchinese.com.hk). When assessing the suitability of a proposed candidate, the Nomination Committee will take into consideration various factors including, but not limited to, character and integrity, qualification, skills and knowledge, experience, potential contributions, board diversity, number of directorships in other listed companies, independence requirements (for independent non-executive Directors) as set out in the Listing Rules and such other perspectives that are appropriate to the Company's business and succession plan.

Corporate Governance Report *(continued)*

NOMINATION OF DIRECTORS *(continued)*

Retiring Directors eligible for re-election at general meeting and proposed candidates are requested to submit the necessary information together with their written consents to be re-elected or appointed as Directors. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating the retiring Director or the proposed candidate which may include, without limitation, personal interviews, background checks, written submissions by the candidate and/or third-party references. The Nomination Committee shall then recommend the proposed re-election or appointment of Director to the Board for the Board's consideration and, where applicable, the Board will make recommendation to shareholders. The Nomination Committee may nominate a suitable candidate to fill a casual vacancy on the Board for the Board's consideration and approval. A circular containing the requisite information of candidates recommended by the Board to stand for election at the general meeting (whether as new appointment or re-election) will be sent to shareholders as required under the Listing Rules.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and substantial and balanced development. The board diversity policy (the "Diversity Policy") was adopted by the Board in August 2013 and revised in January 2019. A copy of the revised Diversity Policy can be found on the Company's website (www.hkchinese.com.hk). The Diversity Policy sets out the approach to achieve diversity on the Board which will include and make good use of the difference in skills, professional experience, cultural and educational background, gender, age, knowledge, length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and all board appointments will be based on merit and contribution, having regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The Company will also take into account factors based on its own business model and specific needs from time to time. The Nomination Committee monitors the implementation of the Diversity Policy and will at appropriate time set measurable objectives for achieving diversity under the Diversity Policy. It will review objectives for the implementation of the Diversity Policy and monitor progress towards the achievement thereof. In carrying out its responsibility for identifying suitable candidates to become members of the Board, the Nomination Committee will give adequate consideration to the Diversity Policy and the Nomination Policy. The Nomination Committee will review the Diversity Policy from time to time as appropriate to ensure its continued effectiveness and the Board will review the implementation and effectiveness of the Diversity Policy on an annual basis. The Company believes that diversity can strengthen the performance of the Board, and promote effective decision-making and better corporate governance and monitoring.

The Company is committed to improving gender diversity based on its needs and as and when suitable candidates are identified. In December 2022, a female director was appointed. In order to maintain gender diversity, similar considerations will be taken when recruiting and selecting senior staff and other employees. As at 31 December 2023, the Group maintained a balance of male and female ratio in the workplace, details of which are set out in the Environmental, Social and Governance Report on pages 42 to 64.

Majority of the Nomination Committee members are non-executive Directors and three of them are independent. The Nomination Committee currently comprises five members including three independent non-executive Directors, namely Mr. King Fai Tsui (being the Chairman of the Nomination Committee), Mr. Edwin Neo and Ms. Min Yen Goh, a non-executive Director, namely Mr. Leon Nim Leung Chan and an executive Director, namely Dr. Stephen Riady. The composition of the Nomination Committee meets the requirements of chairmanship and independence of the Listing Rules. Three meetings were held during the Year and the individual attendance of each member is set out above.

Corporate Governance Report *(continued)*

DIRECTORS' TIME COMMITMENT AND TRAINING

The Company has received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the Year. Directors are encouraged to participate in professional, public and community organisations. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. They are also reminded to notify the Company in a timely manner of any change of such information. In respect of those Directors who would stand for re-election at the 2024 AGM, all their directorships held in listed public companies in the past three years are to be set out in the circular to shareholders regarding, inter alia, proposed re-election of retiring Directors. Other details of Directors are set out in the brief biographical details of the Directors and senior management on pages 11 to 13.

Directors are also encouraged to attend seminars and conferences to enrich their knowledge in discharging their duties as a director. The Company has arranged from time to time at its cost seminars and/or conferences conducted by professional bodies for the Directors relating to, inter alia, director's duties, corporate governance and regulatory updates. Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

- (1) participation in continuous professional training seminars and/or conferences and/or courses and/or workshops on subjects relating to, inter alia, corporate governance, directors' duties and legal and regulatory changes organised and/or arranged by the Company and/or professional bodies and/or lawyers;
- (2) reading materials provided from time to time by the Company to Directors regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties; and
- (3) reading news, journals, magazines and/or other reading materials regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development during the Year through the above means (1), (2) and (3). Records of the Directors' training during the Year are as follows:

| Directors | Training received |
|--|-------------------|
| Executive Directors | |
| Dr. Stephen Riady (<i>Chairman</i>) | (1), (2) and (3) |
| Mr. John Luen Wai Lee (<i>Chief Executive Officer</i>) | (1), (2) and (3) |
| Mr. Brian Riady (appointed on 30 March 2023) | (1), (2) and (3) |
| Non-executive Director | |
| Mr. Leon Nim Leung Chan | (1), (2) and (3) |
| Independent Non-executive Directors | |
| Mr. King Fai Tsui | (1), (2) and (3) |
| Mr. Edwin Neo | (1), (2) and (3) |
| Ms. Min Yen Goh | (1), (2) and (3) |

Corporate Governance Report *(continued)*

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged directors' and officers' liability insurance for years to indemnify the directors and officers of the Group against any potential liability arising from the Group's activities which such directors and officers may be held liable.

AUDITOR'S REMUNERATION

Ernst & Young has been appointed by the shareholders annually as the Company's auditor. During the Year, the fees charged to the financial statements of the Group for the statutory audit and non-statutory audit services provided by Ernst & Young (which for the purpose includes any entity under common control, ownership or management with the auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the auditor nationally and internationally) amounted to approximately HK\$2.6 million (2022 — HK\$2.6 million) and approximately HK\$4,000 (2022 — HK\$4,000), respectively.

AUDIT COMMITTEE

The Board established an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. Its terms of reference can be found on the Company's website (www.hkchinese.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Audit Committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The Audit Committee is also responsible for the Company's corporate governance functions. All Committee members are non-executive Directors and two of them including the Chairman are independent. The Audit Committee comprises three members including two independent non-executive Directors, namely Mr. King Fai Tsui (being the Chairman of the Audit Committee) and Mr. Edwin Neo and a non-executive Director, namely Mr. Leon Nim Leung Chan. Three meetings were held during the Year and the individual attendance of each member is set out above.

The Committee members possess diversified industry experience and the Chairman of the Audit Committee has appropriate professional qualifications and experience in accounting matters. Under its current terms of reference, the Committee will meet at least twice each year. Management and auditor shall normally attend the meetings. In addition, the Audit Committee holds regular meetings with external auditor without the presence of executive Directors and/or management.

During the Year, the Audit Committee discharged its duties by reviewing and/or monitoring financial, audit, risk management, internal control and corporate governance matters of the Group, including management accounts, financial statements, interim and annual reports, corporate governance report, risk management report and internal audit reports and discussing with executive Directors, management, external auditor and internal audit and risk management department (the "IA & RM Department") regarding financial matters, corporate governance policies and practices and internal audit, control and risk management matters of the Group, and making recommendations to the Board including, inter alia, financial-related matters. The Audit Committee reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report, the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements and the code of conduct applicable to employees and Directors. The Audit Committee also recommended to the Board that, subject to the shareholders' approval at the 2024 AGM, Ernst & Young be re-appointed as the Company's external auditor for the ensuing year; and reviewed the fees charged by the Company's external auditor.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises its responsibility for maintaining adequate systems of risk management and internal control and is responsible for evaluating and determining the nature and extent of the risks (including risks relating to environmental, social and governance (“ESG”)) it is willing to take in achieving the Group’s strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems. It also reviews and monitors the effectiveness of the risk management and internal control systems on an ongoing basis.

During the Year, a review of the effectiveness of the Group’s risk management and internal control systems covering the risk management functions and all material controls, including financial, operational and compliance controls was conducted, details of which are set out in the Risk Management Report on pages 36 to 41. Such review will be conducted on an annual basis.

An Inside Information Policy was adopted by the Company which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) (the “Inside Information”) of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. The Company also established Group Internal Notification Policies and Procedures for setting out guidelines for identification and notification of Inside Information and notifiable transactions (as defined in the Listing Rules). A Whistleblowing Policy and an Anti-corruption Policy were also adopted by the Group. In December 2023, the Whistleblowing Policy was reviewed and updated. A copy of the updated Whistleblowing Policy can be found on the Company’s website (www.hkchinese.com.hk).

During the Year, the Board reviewed the adequacy of resources, qualifications and experience of staff of the Company’s internal audit function as well as its accounting and financial reporting function, and their training programmes and budgets, as well as those relating to the ESG performance and reporting. The review will be conducted annually in accordance with the requirements of the CG Code.

INTERNAL AUDIT

The IA & RM Department was set up in 2007 to perform internal audit and to review the internal control and risk management systems of the Group.

The principal roles of the internal audit are to ensure the effectiveness of internal control procedures and compliance with different standards and policies across different businesses and operations of the Group. The IA & RM Department audits and evaluates the Group’s internal control operation and risk management process so as to address the financial, operational and compliance risks in the Group. The Board and the Audit Committee will actively take actions based on the findings from the IA & RM Department. The IA & RM Department is also responsible for providing improvement recommendations to different operation teams and departments so as to minimise the risk exposure in the future.

COMPANY SECRETARY

On 1 January 2023, Ms. Millie Yuen Fun Luk was appointed as the Company Secretary of the Company. The Company Secretary is responsible for facilitating the Board’s processes and communications among Board members, with shareholders and with management. During the Year, the Company Secretary had taken over 15 hours of relevant professional training to update her skills and knowledge.

Corporate Governance Report *(continued)*

COMMUNICATION WITH SHAREHOLDERS

The Company has established a shareholders' communication policy and will review it annually to ensure its effectiveness. In March 2023, the shareholders' communication policy of the Company was revised and updated.

The Company's Annual General Meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Company's performance. Separate resolutions will be proposed for each substantially separate issue at the AGM. Board members, including the Chairmen of the Board and Board committees and Board committee members, and the Company's external auditor attended the 2023 AGM and were available to answer questions from shareholders.

Under the Listing Rules, all resolutions proposed at shareholders' meetings must be voted by poll except where the chairman of a general meeting, in good faith and in compliance with the Listing Rules, decides to allow resolutions to be voted on by the shareholders on a show of hands. Details of the poll procedures will be explained during the proceedings of shareholders' meetings. The poll voting results will be released and posted on the websites of the Company (www.hkchinese.com.hk) and the Stock Exchange (www.hkexnews.hk).

For efficient communication with shareholders and environmental protection, shareholders can choose to receive the Company's corporate communications by electronic means through the Company's website (www.hkchinese.com.hk). The manner in which the Company has adopted for the dissemination of its corporate communications is set out in the document named "Corporate Communication Requests" on the Company's website. All the financial information and other disclosures including, inter alia, annual reports, interim reports, announcements, circulars, notices, the Memorandum of Association (the "Memorandum") and the Bye-laws and other documents as required by the Listing Rules and any other relevant laws and regulations are available on the Company's website. In order to enable shareholders to make queries that they may have with respect to the Company, contact details of the Company such as telephone number and facsimile number are available on the Company's website.

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the "Registrar") or contact the Customer Service Hotline of the Registrar at (852) 2980 1333. Shareholders may send their enquiries to the Board or the Company Secretary in written form to the principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

During the Year, the Company maintained an on-going dialogue with its shareholders and the Board reviewed and considered the shareholders' communication policy to have been effectively implemented.

SHAREHOLDERS' RIGHTS

Under Bye-law 58 of the Company's Bye-laws, members 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, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held in the form of a hybrid meeting, an electronic meeting or a physical meeting and within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may convene such hybrid, electronic or physical meeting in accordance with the provisions of the Companies Act 1981 of Bermuda. Shareholders may send the requisition and request to the Board or the Company Secretary in written form to the principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

Corporate Governance Report *(continued)*

DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders and investors of the Company to be its goal and endeavours to achieve a progressive dividend policy where appropriate. The Board had approved and adopted a dividend policy for the Company (the “Dividend Policy”) in January 2019 that aims to set out the approach to determine the dividend to be payable by the Company, enhance transparency of the Company and facilitate shareholders and investors of the Company to make informed investment decisions.

In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Group’s earnings performance, financial position, investment and funding requirements, and future prospects. There is no assurance that a dividend will be proposed or declared in any given year.

The Board will review the Dividend Policy from time to time to ensure its continued effectiveness.

FAIR DISCLOSURE AND INVESTOR RELATIONS

The Company uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. When announcements are made through the Stock Exchange, the same information will be available to the public on the Company’s website. The Company recognises its responsibility to disclose its activities to those with a legitimate interest and to respond to their questions. In all cases, great care has been taken in handling Inside Information of the Group. An Inside Information Policy was adopted by the Company which sets out guidelines to ensure Inside Information of the Group is to be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

Management of the Group maintains regular contacts with the investment community. A shareholders’ communication policy was adopted by the Group.

A special resolution was passed at the 2023 AGM to approve the capital reorganisation of the Company (the “Capital Reorganisation”). The Capital Reorganisation involved, inter alia, the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.90 on each of the issued shares such that the par value of each issued share was reduced from HK\$1.00 to HK\$0.10 and the authorised share capital of the Company was changed to HK\$400,000,000 divided into 4,000,000,000 shares of par value of HK\$0.10 each. The Capital Reorganisation took effect on 3 July 2023. An updated and consolidated version of the Memorandum and the Bye-laws is available on the Company’s website (www.hkchinese.com.hk) and the Stock Exchange’s website (www.hkexnews.hk).

Corporate Governance Report *(continued)*

FINANCIAL REPORTING

The Board recognises its responsibility to prepare the Company's financial statements which give a true and fair view and are in compliance with Hong Kong Financial Reporting Standards, Listing Rules and other regulatory requirements. As at 31 December 2023, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or continue as a going concern. The Board selected appropriate accounting policies and applied consistently. Judgments and estimates were reasonably and prudently made. The external auditor is responsible for audit and report, if any, material misstatement or non-compliance with Hong Kong Financial Reporting Standards or other regulations. The Board uses its best endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting.

The responsibilities of the auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 65 to 69.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community well-being from time to time.

Risk Management Report

Effective risk management is essential for the Company and its subsidiaries (together, the “Group”) to take the appropriate level of risks and opportunities in pursuing its strategic and business goals. The Group is committed to the continuous improvement of the enterprise risk management (“ERM”) system in order to facilitate the long-term growth and sustainability of its businesses. Given the increasing significance of Environmental, Social and Governance (“ESG”) risks, the Group has integrated ESG risk factors into risk management process since 2018.

The Group’s ERM framework is established with reference to the Enterprise Risk Management – Integrated Framework issued by COSO and the ISO 31000 Risk Management – Principles and Guidelines, which comprises 3 key components:

1. Risk Management Strategy;
2. Risk Governance Structure; and
3. Risk Management Process.

RISK MANAGEMENT STRATEGY

The Group recognises the importance of a proactive risk culture to the effective implementation of ERM system. In order to foster the desired risk culture, the Group has integrated the ERM system into various parts of the business and day-to-day operation processes and the Group aims to achieve the following objectives through the risk management activities:

- Promote corporate governance with a sound system of internal controls
- Embed a systematic approach to identify risks
- Enable the Group to strike the right balance between risks and rewards by making risk informed decisions in accordance with the Group’s business objectives and risk appetite
- Ensure the adequacy and effectiveness of risk controls in place to manage key risks
- Ensure compliance with the relevant legal and regulatory requirements

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE

The Group's risk governance structure provides the foundation for an effective risk monitoring and management. The roles and responsibilities of each layer are clearly established to ensure a thorough understanding among all the personnel within the Group.



The key roles and responsibilities of each layer are listed below:

Board Supervision

The Board of Directors (the "Board")

- Take the overall responsibility to oversee the ERM and internal control systems on an ongoing basis

Audit Committee empowered by the Board

- Determine the Group's overall risk appetite and establish appropriate culture throughout the Group for effective risk governance
- Review and approve risk criteria adopted by senior management to ensure that they are aligned with the Group's risk appetite
- Oversee the risk exposure of various types including the mitigation strategies
- Provide supervision on the ERM and internal control systems and review their adequacy and effectiveness at least annually

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

Risk Leadership

Senior Management

- Provide overall leadership in risk management activities, via the Risk Management Steering Group (the “ERM Steering Group”)

ERM Steering Group led by Senior Management

- Establish risk criteria
- Assess the group level material risks and review the entity level risk profile periodically
- Determine and assign sufficient resources to implement the Group’s ERM framework and manage risks within the Group
- Update periodically the Audit Committee with the Group’s risk profile and status of risk treatment plans for key business risks
- Ensure the annual review of adequacy and effectiveness of the ERM system

Risk Facilitator

Group ERM Team

- Implement the Group’s ERM policies and plans formulated by the ERM Steering Group
- Develop necessary tools and templates for risk assessment, risk treatment plan and risk reporting
- Cascade and facilitate the risk management process and activities across all business entities and departments
- Follow up on the implementation of risk treatment plans and ensure the internal controls and risk mitigations are properly designed and implemented

Risk Management Report *(continued)*

RISK GOVERNANCE STRUCTURE *(continued)*

Risk and Control Ownership

Business Entities and Departments

- Identify and review changes in risks in line with changes in the business environment
- Analyse risks and identify appropriate controls or risk treatment plans to address the risks
- Responsible for risk management activities and reporting in their businesses or operations
- Perform risk and control self-assessment activity to evaluate the effectiveness of ERM and internal control systems for their respective entities

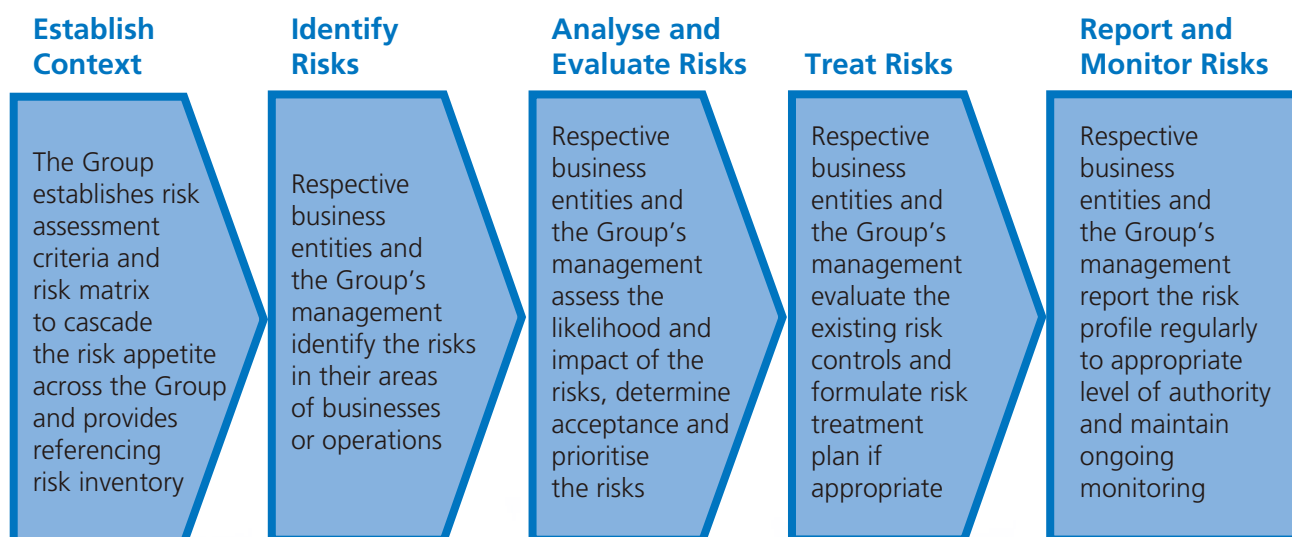
Independent Assurance

Internal Audit and Risk Management Department

- Conduct audit projects on various entities and functions across the Group and provide independent review on the adequacy and effectiveness of the internal control and ERM systems

RISK MANAGEMENT PROCESS

The Group's risk management process provides a systematic approach to manage risks. The following diagram illustrates the key activities in the process.



Risk Management Report *(continued)*

CONTINUOUS IMPROVEMENT

The Group continues to strive for improvement on its ERM system and has taken a series of actions during the year ended 31 December 2023 (the “Year”):

- Revised ERM reporting template
- Discussed risk management improvement initiatives across different levels of the Group
- Provided risk management training to the risk owners
- Reviewed and integrated ESG risk factors into ERM process
- Reviewed the Company’s policies and updated the Whistleblowing Policy to strengthen the Group’s commitment to integrity and accountability

MATERIAL RISKS

The Group faces a number of risks and uncertainties that, if not properly managed, could create an exposure for the Group. These risks are classified into 4 main categories:

| | |
|--------------------|---|
| Strategic | — Risk resulting from suboptimal determination and execution of business strategies or changes in external business environment |
| Operational | — Risk of potential financial losses and/or business instability arising from failures in internal controls, operational processes, or in the system that supports them |
| Financial | — Risk resulting from financial and reporting activities and/or use of financial instruments |
| Compliance | — Risk of non-compliance with any internal requirements/standards, legal/regulatory requirements and/or any related third-party legal actions/disputes |

During the Year, the Group conducted risk review from the Group’s perspective and on the risk profile submitted by the underneath business entities. Through this combined top-down and bottom-up risk review process, the Group has identified the material risks of various business segments for the Year and striving to mitigate these risks. The major identified risk is summarised below:

Risk Management Report *(continued)*

MATERIAL RISKS *(continued)*

Group Operation and Property Investment

| Risk | Examples of Response Taken |
|---|--|
| Operational – Natural Disaster Risk¹ The risk of extensive damage in network facilities caused by storm, flood, landslide and other extreme weather phenomenon due to climate change impacting the Group's ability to sustain operation and/or loss of critical data and/or information. | <ul style="list-style-type: none">• Performed periodic system back up.• Established business continuity plan covering different disaster scenarios.• Arranged appropriate insurance coverage for different disaster scenarios. |

REVIEW OF ERM AND INTERNAL CONTROL SYSTEMS

During the Year, the Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the ERM and internal control systems based on:

1. Regular ERM progress reports on the status of implementation;
2. Regular risk reports on the Group's material risks and entities' risk profile including key mitigations;
3. Risk and control self-assessment by various entities;
4. Regular audit reports by the Internal Audit and Risk Management Department for audit evaluation of the internal controls and key findings with relevant recommendations;
5. Consideration on the adequacy of resources, staff qualifications and experience, training programmes and budgets of the accounting, financial reporting, internal audit and risk management functions as well as those relating to ESG performance and reporting;
6. Consideration on the scope and quality of management's ongoing monitoring of the systems; and
7. Consideration on the extent and frequency of communication and reporting to the Board and Audit Committee on the risk management results and risk issues.

As a result of the review, the Board, with the confirmation from the Management of the Group, considered the ERM and internal control systems to be effective and adequate for the Year. However, it should be acknowledged that the systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

¹ Material risk identified with ESG aspects, please refer to Section 5 of the ESG Report for more details.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) presents the performance of the Company and its subsidiaries (together, the “Group”) on ESG aspects for the year ended 31 December 2023 (the “Year” or “2023”). By reporting the policies, measures and performance of the Group in ESG aspects, it allows all stakeholders to better understand the progress of the Group towards sustainability.

1.1. Reporting Boundary

The ESG Report covers the operation of the Company’s head office in Hong Kong and its subsidiaries in property development, property investment and property management and management services for the Year, details of which are as disclosed hereinbelow. While the ESG Report does not cover all of the Group’s operations, the aim of the Group is to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure.

| Segments | Subsidiaries covered in the reporting boundary |
|---|--|
| Property development, property investment and property management | <ul style="list-style-type: none">北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.)成都力寶置業有限公司 (Chengdu Lippo Realty Limited)Fairseas 1 Pte. Ltd.One Realty Pte. Limited |
| Management services | <ul style="list-style-type: none">HCL Management Limited |

1.2. Reporting Standard and Principles

The ESG Report was prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Environmental, Social and Governance Report *(continued)*

1. ABOUT THIS REPORT *(continued)*

1.2. Reporting Standard and Principles *(continued)*

In preparation for the ESG Report, the Group adheres to the reporting principles as set out in the ESG Reporting Guide:

| Reporting Principles | The Group's Applications |
|----------------------|--|
| Materiality | Material ESG issues were identified and prioritised through stakeholder engagement, review of local and international standards and issues of significance to peers. The materiality assessment was presented to the Board of Directors of the Company (the "Board"). Relevant contents are disclosed in the ESG Report. |
| Quantitative | The Group records and discloses key performance indicators in quantitative terms as appropriate. |
| Balance | The ESG Report discloses information in an objective manner, giving stakeholders an unbiased picture of the Group's overall ESG performance. |
| Consistency | As far as practicable and unless stated otherwise, the Group employs consistent measurement methodology to allow for meaningful comparison of ESG data over time. |

1.3. Confirmation and Approval

Information in the ESG Report was sourced from the official documents, statistical data and management and operational information collected by the Group. The ESG Report was approved by the Board on 27 March 2024.

1.4. Opinion and Feedback

The Group values the opinions of stakeholders. If any stakeholder has any feedback or suggestions on the ESG Report, please send them to the principal place of business of the Company at 40th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong or the Company's email address at hkc.ir@lippohk.com. Your feedback or suggestions would greatly help the Group continuously improve its ESG performance.

Environmental, Social and Governance Report *(continued)*

2. APPROACH TO ESG

The Group takes a holistic approach to ESG issues through robust management practices and has made ongoing progress in integrating ESG considerations into operational decision-making during the Year. We will continue progressing in these areas while striving to deliver long-term value for our stakeholders.

2.1. Governance Structure

The Board holds ultimate responsibility for overseeing the Group's ESG-related matters, including policies, strategies, measures, performance and risks, which are assessed and reviewed by the Board during regular board meetings as appropriate.

The ESG working group, composed of representatives from business divisions and the compliance team, supports the Board in identifying, evaluating and managing significant ESG-related matters, as well as formulating relevant ESG strategies. The working group also ensures that policies adhere to applicable regulations and works closely with different departments to monitor ESG performance. On a regular basis, the working group evaluates the Group's ESG performance, carries out materiality assessment and reports to the Board annually. To better prepare the Group for future challenges and opportunities, it is on the Group's agenda to continue enhancing its ESG governance and develop sustainability strategies more comprehensively.

2.2. ESG Risk Management and Internal Control Systems

The Group recognises that effective risk management is a vital aspect of its daily operations and robust corporate governance. Considering the growing importance of ESG risks, the Group has incorporated ESG risk factors into its enterprise risk management process. Internal controls and a formal review process have been established to ensure the accuracy and reliability of information presented in the ESG report.

The Board holds the overall responsibility for maintaining appropriate and effective risk management and internal control systems. The Group's risk governance structure and management process span all business entities and departments. Empowered by the Board, the Audit Committee of the Company reviews and approves risk criteria, oversees risk exposure and assesses the adequacy and effectiveness of the systems.

To enhance risk awareness among business entities and departments, relevant risk management training sessions were provided to the Directors and the risk owners throughout the Year.

For more detailed information about the Group's risk governance structure, management strategy and major identified risks, please refer to the Risk Management Report on page 36 to 41.

Environmental, Social and Governance Report *(continued)*

2. APPROACH TO ESG *(continued)*

2.3. Business Ethics

Long-term and sustainable development depends on honesty, integrity and fairness, which are our core values in operating the business. The Group strives to maintain the highest ethical and moral standards across our operations and complies with all relevant laws, regulations and policies.

(a) *Anti-corruption*

Anti-corruption Policy sets out the basic standard of behaviour expected from all directors and staff of the Group. It covers topics such as prevention of bribery, corruption, extortion and fraud, as well as relationships with suppliers, contractors and customers. This policy provides guidance in various situations, such as accepting and offering advantages, accepting gifts, unusual discounts and entertainment, dealing with conflicts of interest and handling confidential information. All employees must comply with the requirements under the policy, act ethically and uphold honesty and integrity in business operations.

During the Year, the Group did not identify any non-compliance cases with laws and regulations in relation to corruption, bribery, extortion, fraud and money laundering, nor was there any concluded legal case regarding corruption practices brought against it or its employees that would have a significant impact on the Group.

(b) *Data privacy and intellectual property rights*

The Group is dedicated to protecting customer data privacy and respecting the intellectual property rights of third parties. The Product and Service Responsibility Policy outlines the guiding principles for safeguarding customer data and third-party intellectual property. Employees must adhere to all relevant laws and regulations when handling confidential information. To preserve confidentiality, the Group only collects and keeps information about its suppliers and customers that is necessary for business activities. Prior to data collection, informed consent is obtained from relevant stakeholders to ensure they understand the purpose and usage of the collected data.

(c) *Whistleblowing Policy*

The Group is committed to the high standards of openness, probity and accountability. A Whistleblowing Policy has long been maintained to ensure that our business affairs comply with our corporate policies and applicable laws. The policy sets out the procedures for reporting any suspected misconduct, malpractice or irregularity confidentially without fear of reprisals to ensure fair treatment of whistleblowers. The Group has established dedicated communication channels, such as email addresses and phone numbers, for employees or third parties to raise their concerns. Whistleblowing reports can be addressed to managers, department heads, the head of the Internal Audit and Risk Management Department ("IA & RM Department"), the Chief Executive Officer, or the Audit Committee, depending on the circumstances.

The Audit Committee of the Company is responsible for overseeing the whistleblowing procedure and investigating the reports received. This process is facilitated with the assistance of the IA & RM Department. The Whistleblowing Policy undergoes periodic reviews by the head of the IA & RM Department to ensure its effective monitoring and implementation.

During the Year, the Whistleblowing Policy was updated to strengthen the Group's commitment to integrity and accountability further and there were no whistleblowing cases reported. The updated Whistleblowing Policy was published on the Company's website (www.hkchinese.com.hk).

Environmental, Social and Governance Report *(continued)*

2. APPROACH TO ESG *(continued)*

2.4. Stakeholder Engagement

The Group has engaged with our stakeholders to gain an understanding of their needs and expectations, incorporating their viewpoints into our strategic decision-making processes through ongoing and open dialogue. We greatly value the trust and support of our stakeholders and the Group has established multiple engagement channels to encourage them to share their opinions and provide feedback. These interactions are valuable and allow us to identify and pursue common goals together.

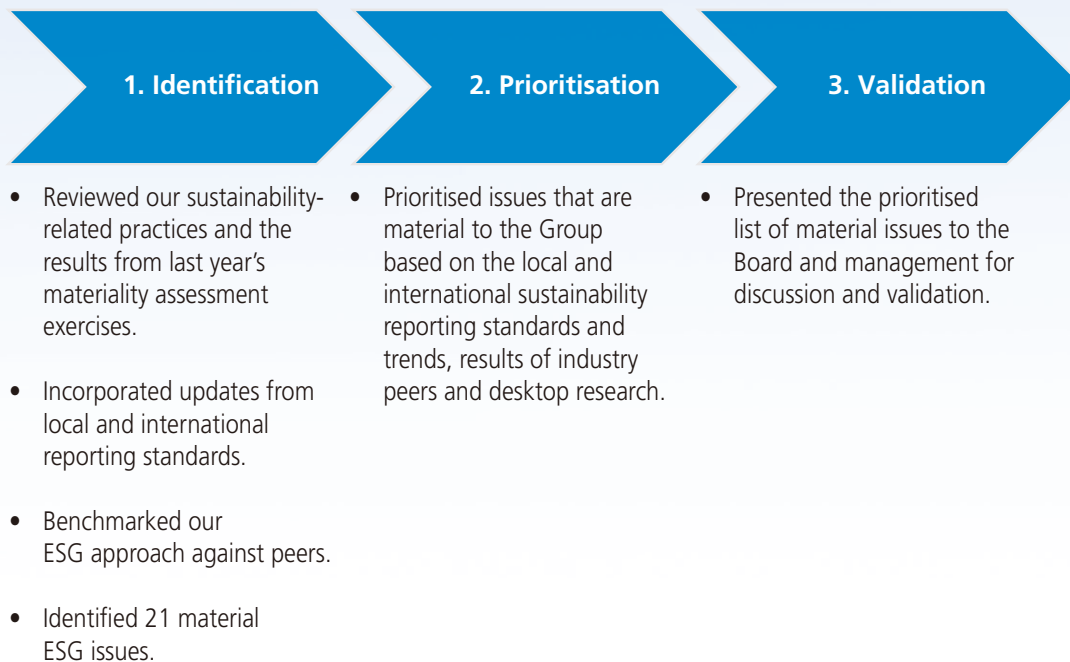
| Stakeholders | | Engagement Channels |
|--------------|--|---|
| Internal | The Board | <ul style="list-style-type: none"> Regular board meetings |
| | Management | <ul style="list-style-type: none"> Regular communication and updates from management |
| | General staff | <ul style="list-style-type: none"> Internal communication platforms (for example intranet and email) Team meetings and presentations Training and development opportunities Grievance mechanism |
| External | Investors and shareholders | <ul style="list-style-type: none"> Annual General Meeting and Results Announcements Annual report and interim report Investor meetings Corporate website and the Stock Exchange website |
| | Customers | <ul style="list-style-type: none"> Customers complain and feedback system Customer service channels (for example helpline and email) |
| | Business partners, suppliers and service providers | <ul style="list-style-type: none"> Tendering and procurement processes Briefings, meetings and visits Supplier assessment and performance reviews |
| | Auditors | <ul style="list-style-type: none"> Regular meetings and discussions Attendance at Audit Committee meetings |
| | Bankers | <ul style="list-style-type: none"> Periodic meetings and discussions Participation in banking events |
| | Communities | <ul style="list-style-type: none"> Donations and sponsorships for community projects Public or community event participation Volunteering opportunities |
| | Non-governmental organisations | <ul style="list-style-type: none"> Joint events and collaborations Partnerships for social or environmental initiatives |
| | Media | <ul style="list-style-type: none"> Media interviews and press releases Feedback and responses to media enquiries |

Environmental, Social and Governance Report *(continued)*

2. APPROACH TO ESG *(continued)*

2.5. Materiality Assessment

The Group engaged an independent consultant to conduct a materiality assessment for the Year to review and inform our ESG approach and reporting. The analysis identified and prioritised the material issues deemed significant and impactful to our business, stakeholders and strategy.



Environmental, Social and Governance Report *(continued)*

2. APPROACH TO ESG *(continued)*

2.5. Materiality Assessment *(continued)*

| Material ESG issues | Ranking |
|---|---------|
| Governance and Operations | |
| Corporate governance | 11 |
| Anti-corruption and whistleblowing | 1 |
| Safety and quality management | 3 |
| Customer communication | 8 |
| Responsible marketing | 15 |
| Information security and data privacy | 5 |
| Protection of intellectual property rights | 16 |
| Supply chain management | 12 |
| Social | |
| Diversity and equal opportunities | 18 |
| Employee compensation, wellness and engagement | 4 |
| Employee health and safety | 2 |
| Development and training | 6 |
| Labour standards | 19 |
| Community investment | 10 |
| Environmental | |
| Air emissions and greenhouse gases emissions management | 17 |
| Waste management | 14 |
| Energy efficiency | 7 |
| Water stewardship | 13 |
| Packaging materials management | 21 |
| Environmental mitigation | 20 |
| Climate action | 9 |

A total of 21 material topics were identified, evaluated and prioritised. Some material topics considered previously were consolidated with related topics, while some topics were renamed for better clarity. "Corporate governance" was introduced as a new material topic and the ranking of some topics, such as "energy efficiency" and "climate action", was also adjusted to reflect the stakeholders' growing concerns on these topics. The outcomes of the materiality assessment serve as a reference for refining our ESG goals and targets, helping us allocate resources more effectively to create shared value for the Group and our stakeholders.

Environmental, Social and Governance Report *(continued)*

3. CUSTOMERS AND SUPPLIERS

The Group is committed to delivering high-quality and reliable products and services to create long-lasting customer relationships. The Product and Service Responsibility Policy guides our approach across the supply chain from sourcing to delivery, complying with laws and regulations relating to privacy matters, health and safety, advertising and labelling. This integrated focus on responsible products, efficient operations and valuable customer experience helps the Group deliver sustainable value to stakeholders in the long run.

3.1. Safety and Quality Management

The Group strive to enhance the well-being and safety of our customers and tenants. Standard procedures are established to uphold hygienic conditions in common areas and address any pest issues effectively. To maintain the smooth operation of essential systems, the Group employed property management contractors to perform regular maintenance, servicing and repairing all mechanical systems and fixtures within the buildings.

Furthermore, the Group recognises the significance of being prepared for potential emergencies. It has developed emergency response plans that outline protocols for handling emergencies, such as fires and natural disasters, providing an additional layer of protection for tenants and enabling them to respond swiftly in times of crisis. While the Group did not have any ongoing property projects under development during the Year and product health and safety, as well as quality project management, were not considered material issues for the property development segment, the Group remains dedicated to upholding the highest standards of safety and quality across our operations.

During the Year, there were no reported incidents of non-compliance related to health and safety relating to products and services provided.

3.2. Responsible Marketing

The Group is committed to responsible advertising of its properties and services. Clear and accurate communication with our customers is crucial to building trust. The Group's marketing channels and materials, from digital platforms to printed collateral, clearly display important information. Employees are trained in responsible marketing practices, including adhering to regulations, avoiding false or deceptive claims and respecting customers' privacy.

During the Year, there were no reported incidents of non-compliance related to advertising, labelling and privacy matters relating to products and services provided.

3.3. Customer Communication

The Group always puts customer satisfaction first and developed channels through emails and hotlines to listen to their opinions and feedback. Customer feedback is essential for improving our services. The Group views customer complaints as opportunities to enhance the overall customer experience. Feedback from complaints is carefully analysed to identify areas for change and prevent similar issues in the future.

Environmental, Social and Governance Report *(continued)*

3. CUSTOMERS AND SUPPLIERS *(continued)*

3.4. Supply Chain Management

The Group places great importance on sustainable supply chain management. The Sustainable Supply Chain Policy outlines the expectations for suppliers to adhere to ethical, social and environmental standards. Subsidiaries are required to follow procurement practices that align with this policy. Key evaluation criteria are as follows:

| Pillars | Considerations in the supplier selection process |
|------------------------------------|--|
| Business Ethics | <ul style="list-style-type: none">• Business code of conduct• Policies related to regulatory compliance• Policies related to the protection of employee rights• Awards or accreditation obtained related to caring of people• Compliance with laws and regulations related to business ethics, environmental and social responsibility |
| Product/Service Safety and Quality | <ul style="list-style-type: none">• Quality management system in place• Quality assurance function• Awards or accreditation obtained related to product or service |
| Work Health and Safety | <ul style="list-style-type: none">• Health and safety management system in place• Health and safety policy established• Health and safety training provided to their staff• Good record of low incident rate• Awards achieved related to health and safety |
| Environmental Management | <ul style="list-style-type: none">• Environmental management system• Environmental policy established• Environmental-related awards achieved |

Preference is given to those suppliers who demonstrate strong credentials in the four pillars above. Ongoing monitoring and regular review of suppliers' performance are conducted to ensure they meet requirements over time.

The Group encourages local and diverse sourcing where possible to promote sustainability within the supply chain. Subsidiaries are advised to involve small businesses, voluntary organisations, community service providers, ethnic minority organisations and social enterprises in their selection processes and consider them potential suppliers.

Environmental, Social and Governance Report *(continued)*

4. PEOPLE

Human capital is the core pillar of maintaining long-term and sustainable development. The Group cares about the employees and strives to create a safe, engaging and diverse working environment that allows greater communication and development for our people coming from different cultural backgrounds. The Group strictly complies with all applicable labour and human rights laws and regulations in all locations where it operates.

The Group's Human Resource Policy outlines its commitment to prohibiting child labour and forced labour, providing a discrimination-free workplace, encouraging a diverse and inclusive culture, supporting employees' development and creating a safe and healthy working environment. By protecting the rights and interests of the employees, we empower them to realise and unleash their full potential and grow along with the Group.

4.1. Employee Compensation, Wellness and Engagement

The Group offers employees competitive compensation and benefits packages beyond statutory minimums, providing paid marriage leave, medical and compassionate leave, generous annual leave, healthcare and life insurance. In order to maintain a competitive position in the market, the Group also conduct annual performance appraisals and reviews of salaries based on factors such as individual performance evaluations, business performance and market trends. Moreover, the Group prioritises employee well-being, work-life balance, wellness initiatives and supportive policies. By nurturing a culture of appreciation and recognition, providing opportunities for advancement, and prioritising the overall well-being of employees, the Group can enhance employee satisfaction and loyalty.

The Group values open communication and encourages employees to raise work-related concerns through whistleblowing or established communication channels. All feedback received through these confidential grievance mechanisms is carefully considered. The Group addresses the issue raised, recognises areas for improvement and makes continuous progress. During the Year, the Group did not receive any employee grievances through the whistleblowing channels.

4.2. Diversity and Equal Opportunities

Diversity and equal opportunities are one of the key elements of our Human Resource Policy. The Group treat all employees and job applicants equally, regardless of age, gender, marital status, pregnancy, sexual orientation, family status, disability, politics, race, nationality or religion. All recruitment and promotions are based on their qualifications, abilities and performance. Certain subsidiaries have their own policies, procedures and measures in place to promote a culture of diversity and equal opportunities.

The Group strictly prohibits the use of child labour and forced labour across all operations. During the recruitment process, the identity documents, academic qualifications, talents, ages and experiences of all candidates will be screened. Suppliers are also expected to comply with relevant labour laws and regulations. The Group regularly monitors compliance and any non-compliance incidents are investigated seriously according to disciplinary guidelines. Employees are encouraged to report concerns through available grievance mechanisms.

During the Year, there were no reported incidents of non-compliance related to employment practices, child labour or forced labour.

4. PEOPLE *(continued)*

4.3. Employee Health and Safety

Employee health and safety are vital for ensuring well-being, reducing accidents and illnesses, improving productivity and demonstrating organisational commitment to ethical practices. Creating a safe and conducive environment for our employees and protecting them from workplace hazards are among the Group's prime concerns.

For subsidiaries located in poorer air quality regions such as Beijing, air purifiers were equipped in the office to improve the air quality and create a healthier workspace. Regular fire drills are conducted to enhance emergency preparedness among employees. The drills ensure employees can effectively identify and mitigate potential risks in the event of a fire. During the Year, there were no cases of work-related injuries across the Group and no reported incidents of non-compliance related to occupational health and safety.

4.4. Development and Training

Our employees are integral to our success. The Human Resources Policy outlines our commitment to support the continuous development of the employees' skills, expertise and competence to carry out their roles and achieve the Group's development and strategic objectives.

To ensure a smooth onboarding process, all new employees are required to complete the staff orientation training conducted by the Company and/or the subsidiaries (as the case may be) to help them transition smoothly into their roles and understand our core values, policies and procedures. In the training, they learn about the culture, code of conduct, health and safety protocols and overall vision of the Company and/or the subsidiaries.

The Group continued to provide various training programmes to its employees during the Year, covering topics like occupational health and safety, cybersecurity, business ethics and IT skills. We aim to keep employees' knowledge and skills up-to-date with industry standards and enhance workplace performance.

It is the Group's endeavour to create an inspiring and energetic team that never stops learning. The relevant divisions and departments of the Company and various subsidiaries are responsible for conducting coaching, assessing the development needs of employees and setting aside training and development budgets annually. To motivate employees to become self-driven learners, tuition fees would be reimbursed to employees taking additional work-related training and development programmes. The Group also arranges training sessions with regard to the latest regulatory requirements and insights into corporate governance specifically for Directors and management who are leading the Group's employees.

4.5. Supporting Our Community

The Group recognises the importance of its relationship with the communities in which it operates. With the Donation Policy, the Group aims to support organisations focused on education, healthcare, poverty and disaster relief and religious pursuit by means of philanthropic donations. The annual donation budget is reviewed annually depending on the ongoing corporate strategy and its long-term corporate objectives. During the Year, the Group did not have any donation but donated HK\$780,000 for various charity initiatives in 2022.

As a socially responsible corporation, we understand the importance of giving back and creating a positive impact on the community. The Group continues to look for opportunities to partner with and assist community programs.

Environmental, Social and Governance Report *(continued)*

5. ENVIRONMENT

The Group recognises that it has a responsibility to minimise our environmental impact and implement sustainable practices within the organisation. As outlined in the Environmental Policy, the Group is committed to operating in an environmentally responsible and resource-efficient way and takes into consideration the material environmental risks and opportunities during decision-making. It indicates guiding principles for achieving the commitments, including gas emission, use of resources, environmental and natural resources, climate change, green procurement, stakeholder engagement and support for environmental campaigns.

Stringent measures are in place to monitor and manage these aspects of environmental impact across operations to ensure compliance with regulatory requirements and industry standards. Robust management systems are in place to systematically monitor and oversee all environmental aspects of the business. Through ongoing monitoring, proactive measures and adherence to environmental regulations, the Group aims to minimise its environmental footprint and contribute to a sustainable future.

5.1. Managing Our Emissions

The Group takes a proactive and holistic approach to effectively managing emissions, hazardous waste and non-hazardous waste, with the goal of minimising our environmental impact and promoting sustainable practices.

Safe and effective waste management is an important part of achieving these goals. The Group's non-hazardous waste includes domestic solid waste from offices. We have established guidelines on the sorting and storage of these in our operation and prioritise recycling and reuse to maximise material recovery.

The Group has implemented several measures to manage our waste in offices:

Managing general waste

| Facility | Measures |
|----------|--|
| Offices | <ul style="list-style-type: none">• Practise reuse and recycling where applicable• Reuse one-sided paper for printing• Adopt e-communication whenever possible |

To reduce our emissions, the Group continues to focus on adopting energy-efficient technologies and utilising cleaner energy sources when purchasing machines, equipment and company vehicles. Continuous monitoring and improvement initiatives are implemented to identify areas for emission reduction and ensure regulatory compliance.

There are no relevant laws and regulations in relation to the environment that have a significant impact on the Group. During the Year, the Group did not identify any material non-compliance cases regarding environmental laws or regulations.

Environmental, Social and Governance Report *(continued)*

5. ENVIRONMENT *(continued)*

5.2. Moving Towards More Sustainable Resource Practices

The Group recognises the need to manage its environmental impacts across facilities and operations through various resource conservation initiatives to improve energy efficiency and optimise water usage.

Various measures are implemented to improve energy efficiency and reduce energy consumption, which include installing automatic lighting controls and motion sensors to optimise energy usage and utilising energy-saving appliances and equipment.

The Group places importance on efficient water utilisation and water consumption minimisation across its facilities, such as installing water-saving taps and conducting regular inspections to identify any water wastage or inefficiencies.

5.3. Climate Action

The Group acknowledges that climate change poses risks to its operations. Rising temperatures and severe weather events could negatively impact our property portfolio if we do not act. The principles on the identification and mitigation of significant climate-related issues were outlined in the Environmental Policy.

As extreme weather can damage infrastructure and network facilities and disrupt occupant well-being, the Group conducts risk assessments of our properties to identify vulnerabilities and strengthen defences accordingly. Intelligent systems like sensors and automated control are installed for efficient resource use. Robust emergency plans and safety protocols have been developed to mitigate the risks of extreme weather, such as flooding and typhoons. Furthermore, appropriate insurance has been arranged to provide safeguards against financial losses despite resilience measures.

Environmental, Social and Governance Report *(continued)*

6. PERFORMANCE SUMMARY

| Environmental KPIs ^{1, 2} | Unit | 2023 | 2022 |
|--|---|----------------|--------------|
| Air emissions | | | |
| Nitrogen oxides ("NO _x ") ³ | kg | 6,477.9 | 1,368.2 |
| Sulphur oxides ("SO _x ") ³ | kg | 1.7 | 0.4 |
| Respiratory suspended particles ("RSP") ³ | kg | 96.0 | 20.3 |
| Greenhouse gas ("GHG") emissions | | | |
| Total GHG emissions | tonnes CO₂e | 345.9 | 128.6 |
| Scope 1 ⁴ | tonnes CO ₂ e | 291.6 | 85.4 |
| Scope 2 ⁵ | tonnes CO ₂ e | 51.1 | 41.0 |
| Scope 3 ⁶ | tonnes CO ₂ e | 3.1 | 2.2 |
| GHG intensity | tonnes CO ₂ e/m ² | 0.340 | 0.160 |
| Waste generation | | | |
| Non-hazardous waste ⁷ | tonnes | 0.1 | 0.1 |
| Non-hazardous waste intensity | tonnes/employee | 0.007 | 0.010 |
| Energy consumption | | | |
| Total energy consumption | MWh | 1,276.3 | 295.3 |
| Direct energy – Diesel | MWh | 1,157.2 | 203.8 |
| Indirect energy – Electricity | MWh | 119.1 | 91.5 |
| Energy intensity | MWh/m ² | 1.26 | 0.37 |
| Water consumption | | | |
| Total water consumption | m ³ | 353.1 | 233.4 |
| Water consumption intensity | m ³ /employee | 16.81 | 6.48 |

¹ Any discrepancies between (i) totals provided and the sum of the numbers presented; and (ii) percentages provided and the associated numbers throughout the ESG Report are due to rounding.

² In the interest of accuracy and transparency, we have reviewed and updated our environmental KPIs for the previous year. This revision process reflects our commitment to continually improve our reporting and ensure the reliability of the information we share with our stakeholders. The updated data has been recalculated based on the following factor:

- Methodology refinement: We have refined our calculation methodologies, emissions factors and conversion factors in accordance with the latest applicable international and local guidelines.

³ NO_x, SO_x and RSP emissions were higher in 2023 compared to 2022 due to the increased use of marine shipping for business needs in Fairseas 1 Pte. Ltd..

⁴ Our scope 1 emissions include direct emissions from sources that are owned or controlled by the Group, such as emissions from fuel of company vehicles, the refrigerant of air conditioning and fire extinguishing systems. The emission factors are based on the Intergovernmental Panel on Climate Change (IPCC) Synthesis Report (AR6) (2021), Greenhouse Gas Protocol, International Energy Agency's Energy Statistics Manual, UK Government GHG Conversion Factors for Company Reporting and United States Environmental Protection Agency's Emission Factors for Greenhouse Gas Inventories.

⁵ Our scope 2 emissions include indirect emissions from purchased electricity in Hong Kong, Singapore and the PRC. The emission factors are based on the emission factors provided by utility providers in Hong Kong and Singapore and the average emission factor of the national grid in 2022 announced by the Ministry of Ecology and Environment of the PRC.

⁶ Scope 3 emissions include other indirect GHG emissions from methane gas generation at landfills in Hong Kong due to disposal of paper waste, electricity used for fresh water and sewage processing in Hong Kong and business travel by employees.

⁷ Non-hazardous wastes include domestic solid waste from offices.

Environmental, Social and Governance Report *(continued)*

6. PERFORMANCE SUMMARY *(continued)*

| Social KPIs | | Unit | 2023 | 2022 |
|--|-----------------|----------------|------------------|------------------|
| Workforce | | | | |
| Total number of employees | | No. (%) | 21 (100%) | 36 (100%) |
| By gender | Male | No. (%) | 10 (48%) | 16 (44%) |
| | Female | No. (%) | 11 (52%) | 20 (56%) |
| By age group | Below 30 | No. (%) | 1 (5%) | 3 (8%) |
| | 30–49 | No. (%) | 7 (33%) | 14 (39%) |
| | 50 or above | No. (%) | 13 (62%) | 19 (53%) |
| By region | Hong Kong | No. (%) | 6 (29%) | 17 (47%) |
| | Singapore | No. (%) | 7 (33%) | 8 (22%) |
| | Mainland China | No. (%) | 8 (38%) | 11 (31%) |
| By employee type | Full-time | No. (%) | 21 (100%) | 35 (97%) |
| | Part-time | No. (%) | 0 (0%) | 1 (3%) |
| By employee category | Management | No. (%) | 11 (52%) | 11 (31%) |
| | Other employees | No. (%) | 10 (48%) | 25 (69%) |
| Turnover | | | | |
| Turnover rate⁸ | | No. (%) | 17 (81%) | 5 (14%) |
| By gender | Male | No. (%) | 5 (24%) | 1 (6%) |
| | Female | No. (%) | 12 (57%) | 4 (20%) |
| By age group | Below 30 | No. (%) | 2 (10%) | 0 (0%) |
| | 30–49 | No. (%) | 6 (29%) | 2 (14%) |
| | 50 or above | No. (%) | 9 (43%) | 3 (16%) |
| By region | Hong Kong | No. (%) | 14 (233%) | 2 (12%) |
| | Singapore | No. (%) | 1 (14%) | 3 (38%) |
| | Mainland China | No. (%) | 2 (25%) | 0 (0%) |
| Employee Health and Safety | | | | |
| Work-related fatalities ⁹ | | No. | 0 | 0 |
| Reportable work-related injuries | | No. | 0 | 0 |
| Work-related injury rate (per 100 workforce) ¹⁰ | | Rate | 0 | 0 |
| Lost days due to work injury | | No. | 0 | 0 |

⁸ Turnover rate = Employee in the specified category leaving employment/Number of employees in the specified category.

⁹ There was no work-related fatality occurred in the past 3 years including the Year.

¹⁰ Rate of work-related injury (per 100 workforce) = number of injured employees/total number of employees x 100.

Environmental, Social and Governance Report *(continued)*

6. PERFORMANCE SUMMARY *(continued)*

| Social KPIs | | Unit | 2023 | 2022 |
|---|--------------------------|----------------|-----------------|-----------------|
| Development and Training¹¹ | | | | |
| Total employees trained¹² | | No. (%) | 15 (71%) | 11 (31%) |
| By gender | Male | No. (%) | 8 (80%) | 8 (50%) |
| | Female | No. (%) | 7 (64%) | 3 (15%) |
| By employee category | Management (Male) | No. (%) | 6 (86%) | 5 (71%) |
| | Management (Female) | No. (%) | 2 (50%) | 0 (0%) |
| | Other employees (Male) | No. (%) | 2 (67%) | 3 (33%) |
| | Other employees (Female) | No. (%) | 5 (71%) | 3 (19%) |
| Average hours of training¹³ | | hours | 15.0 | 14.5 |
| By gender | Male | hours | 15.8 | 16.7 |
| | Female | hours | 14.0 | 8.5 |
| By employee category | Management (Male) | hours | 11.4 | 10.5 |
| | Management (Female) | hours | 7.2 | 0.0 |
| | Other employees (Male) | hours | 29.0 | 27.0 |
| | Other employees (Female) | hours | 16.9 | 8.5 |

¹¹ Training data for 2022 has been restated to include directors' training under management training.

¹² Percentage of employees trained = number of employees trained in specified category/number of employees in specified category x 100%.

¹³ Average training hours = number of training hours for employees in specified category/number of trained employees in specified category.

Environmental, Social and Governance Report *(continued)*

7. APPENDIX – HKEX ESG REPORTING GUIDE CONTENT INDEX

| Mandatory Disclosure Requirements | | Section |
|-------------------------------------|---|---|
| Governance Structure | <p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board’s oversight of ESG issues; (ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses. | Governance Structure |
| Reporting Principles – Materiality | <p>The ESG report should disclosed:</p> <ul style="list-style-type: none"> (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified and the process and results of the issuer’s stakeholder engagement. | Reporting Principles |
| Reporting Principles – Quantitative | <p>Information on the standards, methodologies, assumptions and/or calculation tools used and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> | Reporting Principles; Performance Summary |
| Reporting Principles – Consistency | <p>The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p> | Reporting Principles; Performance Summary |
| Reporting Boundary | <p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p> | Reporting Boundary |

Environmental, Social and Governance Report *(continued)*

7. APPENDIX – HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Section |
|--|--|---|
| A. Environmental | | |
| Aspect A1: Emissions | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste. | Environment; Managing Our Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | Performance Summary |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Performance Summary |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Not applicable ¹⁴ |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Performance Summary |
| KPI A1.5 | Description of emissions target(s) set and steps taken to achieve them. | Managing Our Emissions |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled and a description of reduction target(s) set and steps taken to achieve them. | Managing Our Emissions |

¹⁴ Due to the business nature of the Group, hazardous waste is considered not material.

Environmental, Social and Governance Report *(continued)*

7. APPENDIX – HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Section |
|---|--|--|
| A. Environmental <i>(continued)</i> | | |
| Aspect A2: Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Environment; Moving Towards More Sustainable Resource Practices |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Performance Summary |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Performance Summary |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Moving towards More Sustainable Resource Practices |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Moving towards More Sustainable Resource Practices |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Not applicable ¹⁵ |
| Aspect A3: The Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | Environment |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Environment |

¹⁵ Due to the business nature of the Group, packaging material is considered not material.

Environmental, Social and Governance Report *(continued)*

7. APPENDIX – HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Section |
|--|--|--|
| A. Environmental <i>(continued)</i> | | |
| 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 Action |
| 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 Action |
| B. Social | | |
| Aspect B1: Employment | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. | People; Employee Compensation, Wellness and Engagement |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Performance Summary |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Performance Summary |
| 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. | People; Employee 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. | Performance Summary |
| KPI B2.2 | Lost days due to work injury. | Performance Summary |
| KPI B2.3 | Description of occupational health and safety measures adopted and how they are implemented and monitored. | Employee Health and Safety |

Environmental, Social and Governance Report *(continued)*

7. APPENDIX – HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Section |
|--|--|--|
| B. Social <i>(continued)</i> | | |
| Aspect B3: Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | People; Development and Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Performance Summary |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Performance Summary |
| 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. | People; Diversity and Equal Opportunities |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Diversity and Equal Opportunities |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Diversity and Equal Opportunities |
| Aspect B5: Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Customers and Suppliers; Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | Not applicable ¹⁶ |

¹⁶ The Group has no major suppliers. Therefore, there is no breakdown of supplier by geographical region. The Group will continue to enforce these standards and explore possibilities in improving the approach to identify and manage potential environmental and social impacts across its supply chain.

Environmental, Social and Governance Report *(continued)*

7. APPENDIX – HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Section |
|--|---|---|
| B. Social <i>(continued)</i> | | |
| Aspect B5: Supply Chain Management <i>(continued)</i> | | |
| 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. | Customers and Suppliers; Responsible Marketing |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Not applicable ¹⁷ |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Not applicable ¹⁷ |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Business Ethics |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Safety and Quality Management |
| KPI B6.5 | Description of consumer data protection and privacy policies and how they are implemented and monitored. | Business Ethics |

¹⁷ Due to the business nature of the Group, no product related complaint was received and recall for safety and health reasons are considered not material.

Environmental, Social and Governance Report *(continued)*

7. APPENDIX – HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Section |
|--|--|--------------------------|
| B. Social <i>(continued)</i> | | |
| 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. | Business Ethics |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Business Ethics |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures and how they are implemented and monitored. | Business Ethics |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | Business Ethics |
| 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. | Supporting Our Community |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Supporting Our Community |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Supporting Our Community |

Independent Auditor's Report



To the shareholders of Hongkong Chinese Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Hongkong Chinese Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 146, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report *(continued)*

KEY AUDIT MATTERS *(continued)*

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Impairment assessment of interest in a joint venture</i></p> <p>The carrying amount of the Group's interests in joint ventures amounted to HK\$10,480 million as at 31 December 2023. The interests in joint ventures are stated at the Group's share of net assets under the equity method of accounting, less any impairment losses at the end of each reporting period.</p> <p>The carrying amount of the Group's interest in Lippo ASM Asia Property Limited ("LAAPL"), a material joint venture of the Group, amounted to HK\$10,325 million as at 31 December 2023. LAAPL has a controlling interest in OUE Limited ("OUE"), a listed company in Singapore. OUE is a pan-Asian, full service real estate development, investment and management company with assets across the commercial, hospitality, retail, residential, healthcare and consumer sectors.</p> <p>The impairment assessment of the Group's interest in LAAPL and its subsidiaries was significant to our audit due to (i) the significance of the carrying amount as at 31 December 2023; and (ii) the determination of the recoverable amount of the interest in LAAPL requiring significant management's judgement and estimate.</p> <p>Related disclosures are included in Notes 3 and 19 to the consolidated financial statements.</p> | <p>We assessed management's process for identifying the objective evidence of impairment in respect of the interest in LAAPL. We evaluated and tested the assumptions and methodologies used by management in the determination of the recoverable amount. We assessed the cash flow projection of LAAPL by making reference to its historical financial performance. For the discount rate applied to the cash flow projection, we assessed the inputs used to determine the rate with reference to market data. We involved our internal valuation specialists to assist us in assessing the discount rate adopted in the cash flow projection.</p> |
| <p><i>Fair value of investment properties</i></p> <p>As at 31 December 2023, investment properties measured at fair values amounted to HK\$131 million, with a corresponding fair value loss of HK\$8 million recognised in profit or loss. The valuation process is inherently subjective and dependent on a number of estimates. The Group has engaged independent professional valuers to perform the valuation of the investment properties.</p> <p>Related disclosures are included in Notes 3 and 16 to the consolidated financial statements.</p> | <p>We considered the objectivity, independence and competency of the valuers. We assessed the valuation methodologies adopted and assumptions used by the valuers, and performed market value benchmarking against comparable properties. We involved our internal valuation specialists to assist us in evaluating the methodologies adopted and the assumptions used by the valuers for the valuation of investment properties held by the Group.</p> |

Independent Auditor's Report *(continued)*

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the Directors 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 are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

Independent Auditor's Report *(continued)*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report *(continued)*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai, Cary.

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------|------------------|------------------|
| Revenue | 5 | 74,794 | 71,773 |
| Cost of sales | | (1,988) | (1,748) |
| Gross profit | | 72,806 | 70,025 |
| Administrative expenses | | (34,429) | (33,582) |
| Other operating expenses | 7 | (18,855) | (20,239) |
| Other gains/(losses) — net | 6 | (8,751) | 15,418 |
| Finance costs | 10 | (26,556) | (11,096) |
| Share of results of associates | | 5,412 | (79,650) |
| Share of results of joint ventures | 11 | 169,361 | 550,340 |
| Profit before tax | 7 | 158,988 | 491,216 |
| Income tax | 12 | (2,830) | (3,572) |
| Profit for the year | | 156,158 | 487,644 |
| Attributable to: | | | |
| Equity holders of the Company | | 157,119 | 488,768 |
| Non-controlling interests | | (961) | (1,124) |
| | | 156,158 | 487,644 |
| Earnings per share attributable to equity holders of the Company | | HK cents | HK cents |
| Basic and diluted | 13 | 7.9 | 24.5 |

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------|------------------|------------------|
| Profit for the year | | 156,158 | 487,644 |
| Other comprehensive income/(loss) | | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | 1,537 | (17,705) |
| Exchange differences reclassified to profit or loss upon liquidation of foreign operations | 6 | – | (21,689) |
| Share of other comprehensive income/(loss) of joint ventures: | | | |
| Exchange differences on translation of foreign operations | | (78,555) | (662,884) |
| Other reserve | | (9,174) | 22,287 |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax | | (86,192) | (679,991) |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | | |
| Changes in fair value of equity instruments at fair value through other comprehensive income | | (2) | (10) |
| Share of changes in fair value of equity instruments at fair value through other comprehensive income of joint ventures | | (96,716) | (421,980) |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods, net of tax | | (96,718) | (421,990) |
| Other comprehensive loss for the year, net of tax | | (182,910) | (1,101,981) |
| Total comprehensive loss for the year | | (26,752) | (614,337) |
| Attributable to: | | | |
| Equity holders of the Company | | (25,549) | (611,548) |
| Non-controlling interests | | (1,203) | (2,789) |
| | | (26,752) | (614,337) |

Consolidated Statement of Financial Position

As at 31 December 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|-------------------|------------------|
| Non-current assets | | | |
| Fixed assets | 15 | 7,984 | 12,268 |
| Investment properties | 16 | 131,289 | 139,395 |
| Right-of-use assets | 17(a) | 263 | 529 |
| Interests in associates | 18 | 297,534 | 287,649 |
| Interests in joint ventures | 19 | 10,479,831 | 10,474,432 |
| Financial assets at fair value through other comprehensive income | 20 | 72 | 73 |
| Financial assets at fair value through profit or loss | 21 | 2,850 | 3,050 |
| | | 10,919,823 | 10,917,396 |
| Current assets | | | |
| Properties held for sale | | 64,266 | 65,787 |
| Properties under development | 22 | 23,408 | 25,081 |
| Debtors, prepayments and other assets | 23 | 4,143 | 4,219 |
| Financial assets at fair value through profit or loss | 21 | 226 | 311 |
| Tax recoverable | | 761 | 512 |
| Cash and cash equivalents | | 145,457 | 207,373 |
| | | 238,261 | 303,283 |
| Current liabilities | | | |
| Lease liabilities | 17(b) | 269 | 265 |
| Other payables, accruals and other liabilities | | 21,403 | 22,507 |
| Tax payable | | 30,401 | 30,524 |
| | | 52,073 | 53,296 |
| Net current assets | | 186,188 | 249,987 |
| Total assets less current liabilities | | 11,106,011 | 11,167,383 |

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|-------------------|------------------|
| Non-current liabilities | | | |
| Bank loans | 24 | 465,667 | 456,111 |
| Lease liabilities | 17(b) | – | 265 |
| Deferred tax liabilities | 25 | 11,352 | 13,288 |
| | | 477,019 | 469,664 |
| Net assets | | 10,628,992 | 10,697,719 |
| Equity | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 26 | 199,828 | 1,998,280 |
| Reserves | 27 | 10,412,994 | 8,682,066 |
| | | 10,612,822 | 10,680,346 |
| Non-controlling interests | | 16,170 | 17,373 |
| Total equity | | 10,628,992 | 10,697,719 |

John Luen Wai Lee
Director

Stephen Riady
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

| | Attributable to equity holders of the Company | | | | | | | | | |
|--|---|-----------------------|----------------------------|--|-----------------|-------------------------------|------------------------|-------------------|---------------------------|-------------------|
| | Share capital | Share premium account | Capital redemption reserve | Fair value reserve of financial assets at FVOCI* | Hedging reserve | Exchange equalisation reserve | Distributable reserves | Total | Non-controlling interests | Total equity |
| | (Note 26) | | (Note 27(b)) | | (Note 27(c)) | | (Note 27(b)) | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2023 | 1,998,280 | 92,775 | 22,144 | (615,019) | 5,961 | (33,054) | 9,209,259 | 10,680,346 | 17,373 | 10,697,719 |
| Profit/(Loss) for the year | - | - | - | - | - | - | 157,119 | 157,119 | (961) | 156,158 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 1,779 | - | 1,779 | (242) | 1,537 |
| Changes in fair value of equity instruments at fair value through other comprehensive income | - | - | - | (2) | - | - | - | (2) | - | (2) |
| Share of other comprehensive loss of joint ventures | - | - | - | (96,716) | (9,174) | (78,555) | - | (184,445) | - | (184,445) |
| Total comprehensive income/(loss) for the year | - | - | - | (96,718) | (9,174) | (76,776) | 157,119 | (25,549) | (1,203) | (26,752) |
| Capital Reorganisation (Note 26) | (1,798,452) | (92,775) | - | - | - | - | 1,891,227 | - | - | - |
| Share of equity movements arising on equity transactions of joint ventures | - | - | - | - | - | - | (41,975) | (41,975) | - | (41,975) |
| Transfer of reserve of joint ventures | - | - | - | (20,384) | - | - | 20,384 | - | - | - |
| At 31 December 2023 | 199,828 | - | 22,144 | (732,121) | (3,213) | (109,830) | 11,236,014 | 10,612,822 | 16,170 | 10,628,992 |
| At 1 January 2022 | 1,998,280 | 92,775 | 22,144 | (173,552) | (16,326) | 667,559 | 8,609,781 | 11,200,661 | 20,162 | 11,220,823 |
| Profit/(Loss) for the year | - | - | - | - | - | - | 488,768 | 488,768 | (1,124) | 487,644 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (16,040) | - | (16,040) | (1,665) | (17,705) |
| Exchange differences reclassified to profit or loss upon liquidation of foreign operations | - | - | - | - | - | (21,689) | - | (21,689) | - | (21,689) |
| Changes in fair value of equity instruments at fair value through other comprehensive income | - | - | - | (10) | - | - | - | (10) | - | (10) |
| Share of other comprehensive income/(loss) of joint ventures | - | - | - | (421,980) | 22,287 | (662,884) | - | (1,062,577) | - | (1,062,577) |
| Total comprehensive income/(loss) for the year | - | - | - | (421,990) | 22,287 | (700,613) | 488,768 | (611,548) | (2,789) | (614,337) |
| Share of equity movements arising on equity transactions of joint ventures | - | - | - | - | - | - | 136,195 | 136,195 | - | 136,195 |
| Transfer of reserve of joint ventures | - | - | - | (19,477) | - | - | 19,477 | - | - | - |
| 2021 final dividend declared and paid to shareholders of the Company | - | - | - | - | - | - | (24,979) | (24,979) | - | (24,979) |
| 2022 interim dividend declared and paid to shareholders of the Company | - | - | - | - | - | - | (19,983) | (19,983) | - | (19,983) |
| At 31 December 2022 | 1,998,280 | 92,775 | 22,144 | (615,019) | 5,961 | (33,054) | 9,209,259 | 10,680,346 | 17,373 | 10,697,719 |

* FVOCI stands for fair value through other comprehensive income.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash used in operations | 29(a) | (41,197) | (27,828) |
| Interest received | | 3,485 | 634 |
| Dividends received from investment | | – | 489 |
| Taxes paid: | | | |
| Hong Kong | | (4,433) | (6,732) |
| Mainland China and overseas | | (270) | (389) |
| Net cash flows used in operating activities | | (42,415) | (33,826) |
| Cash flows from investing activities | | | |
| Payments to acquire fixed assets | | (1,756) | (762) |
| Advances to an associate | | – | (995) |
| Repayment from an associate | | 365 | – |
| Repayment to a joint venture | | (70) | – |
| Net cash flows used in investing activities | | (1,461) | (1,757) |
| Cash flows from financing activities | | | |
| Drawdown of bank and other borrowings | | 49,000 | 180,000 |
| Repayment of other borrowings | | (43,000) | – |
| Principal portion of lease payments | | (265) | (254) |
| Finance costs paid | | (22,830) | (7,436) |
| Dividends paid to shareholders of the Company | | – | (44,962) |
| Net cash flows from/(used in) financing activities | | (17,095) | 127,348 |
| Net increase/(decrease) in cash and cash equivalents | | (60,971) | 91,765 |
| Cash and cash equivalents at beginning of year | | 207,373 | 122,211 |
| Exchange realignments | | (945) | (6,603) |
| Cash and cash equivalents at end of year | | 145,457 | 207,373 |

Notes to the Financial Statements

1. CORPORATE AND GROUP INFORMATION

Hongkong Chinese Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. Its subsidiaries, associates and joint ventures are principally engaged in investment holding, property investment, property development, hotel operation, healthcare services, project management, securities investment and treasury investment.

The immediate holding company of the Company is Hennessy Holdings Limited, a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is Lippo Capital Group Limited, a company incorporated in Hong Kong.

Details of the principal subsidiaries are set out on pages 142 to 144.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange equalisation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

| | |
|--|---|
| HKFRS 17 | <i>Insurance Contracts</i> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to HKAS 12 | <i>International Tax Reform — Pillar Two Model Rules</i> |

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in Note 2.4 to the financial statements. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

Notes to the Financial Statements *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in Note 25 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

| | |
|------------------------------------|---|
| Amendments to HKFRS 10 and HKAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³ |
| Amendments to HKFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> ¹ |
| Amendments to HKAS 1 | <i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments") ^{1,4} |
| Amendments to HKAS 1 | <i>Non-current Liabilities with Covenants</i> (the "2022 Amendments") ^{1,4} |
| Amendments to HKAS 7 and HKFRS 7 | <i>Supplier Finance Arrangements</i> ¹ |
| Amendments to HKAS 21 | <i>Lack of Exchangeability</i> ² |

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

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Notes to the Financial Statements *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Financial Statements *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

(a) *Interests in associates and joint ventures*

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

If an interest in an associate becomes an interest in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(c) Fair value measurement

The Group measures its investment properties and certain financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets, investment properties, properties under development and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGUs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(e) Related parties

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 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;

or

- (b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);
 - (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;
 - (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); and
 - (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.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(f) *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. When an item of fixed assets is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of fixed assets are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of fixed assets to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|-----------------------------------|---|
| Leasehold improvements | Over the unexpired terms of the leases or 10% or 33 $\frac{1}{3}$ %, whichever is shorter |
| Furniture, fixtures and equipment | 10% to 33 $\frac{1}{3}$ % |
| Motor vehicles | 20% to 25% |
| Yacht | 10% |

Where parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of fixed assets including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(g) Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. When fair value is not reliably determinable for a property under development, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Fixed assets and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the other assets revaluation reserve. On disposal of the asset, the relevant portion of the other assets revaluation reserve realised in respect of previous valuations is transferred to the retained profits as a movement in reserves.

(h) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

Group as a lessee (continued)

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|------------------------------|---------|
| Leasehold land and buildings | 2 years |
|------------------------------|---------|

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

Group as a lessee (continued)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and other equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

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

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

(i) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(i) *Investments and other financial assets (continued)*
Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVPL.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVOCI (debt instruments)

For debt investments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(i) *Investments and other financial assets (continued)*

Subsequent measurement (continued)

Financial assets designated at FVOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as revenue in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVOCI are not subject to impairment assessment.

Financial assets at FVPL

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on the equity investments are also recognised as revenue in the statement of profit or loss when the right of payment has been established.

(j) *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- (i) the rights to receive cash flows from the asset have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(j) *Derecognition of financial assets (continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Impairment of financial assets *(continued)*

General approach (continued)

Debt investments at FVOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(l) *Financial liabilities (continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(m) *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(n) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(o) **Derivative financial instruments**

When appropriate, the Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

(p) **Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value which is determined by reference to prevailing market prices, on an individual property basis.

(q) **Properties under development**

Properties under development intended for sale are classified as current assets and stated at the lower of cost and net realisable value. Properties being constructed or developed as investment properties are classified as investment properties and accounted for in accordance with the policy stated under "Investment properties". Other properties under development are stated at cost less any impairment losses. Costs comprise the cost of land, development expenditure, other attributable costs and borrowing costs capitalised. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(r) **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

(t) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (ii) in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(t) *Income tax (continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (ii) in respect of deductible temporary differences associated with interests in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(u) *Revenue recognition*

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(u) Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sale of properties

Revenue from the sale of properties is recognised at the point in time when control of the properties is transferred to the customers. Deposits received from purchasers prior to revenue recognition are accounted for as deposits received.

(ii) Provision of project management services

Revenue from the provision of project management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(v) Employee benefits

Paid leave entitlement

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of each reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward at the end of each reporting period.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(v) Employee benefits *(continued)*

Retirement benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In Hong Kong, the Group operates defined contribution Mandatory Provident Fund retirement benefit schemes (the “MPF Schemes”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees’ relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group’s employer contributions vest fully with the employees when contributed into the MPF Schemes except for the Group’s employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions or to offset against future administration expenses or to refund to the Group, in accordance with the rules of the MPF Schemes.

The employees of the Group’s subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made to the central pension scheme based on a percentage of the employees’ relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Singapore companies in the Group make contributions to the Central Provident Fund Scheme (“CPF”) in Singapore, a defined contribution pension scheme. Contributions to the CPF are recognised as an expense in the statement of profit or loss in the period in which the related service is performed.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(x) Dividends and distributions

Final dividends and distributions are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends and distributions are simultaneously proposed and declared, because the Company’s memorandum of association and bye-laws grant the Directors the authority to declare interim dividends and distributions. Consequently, interim dividends and distributions are recognised immediately as a liability when they are proposed and declared.

Notes to the Financial Statements *(continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

(y) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Financial Statements *(continued)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. The Group may provide ancillary services to the occupants of properties it holds. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. The property is an investment property only if the ancillary services are insignificant to the arrangement as a whole.

Notes to the Financial Statements *(continued)*

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Estimation uncertainty

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

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (i) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2023 was HK\$131,289,000 (2022 — HK\$139,395,000). Further details are disclosed in Note 16 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

After applying the equity method, the Group assesses whether there is any objective evidence of impairment for the interests in joint ventures. The interests in joint ventures are tested for impairment when there is objective evidence of impairment. The carrying amount of interests in joint ventures as at 31 December 2023 was HK\$10,479,831,000 (2022 — HK\$10,474,432,000). Further details are disclosed in Note 19 to the financial statements.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

- (a) the property investment segment includes investments relating to the letting and resale of properties;
- (b) the property development segment includes the development and sale of properties;
- (c) the treasury investment segment includes investments in money markets;
- (d) the securities investment segment includes investments in securities that are held for trading and for long-term strategic purposes; and
- (e) the “other” segment comprises principally the provision of project management services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) and comprises segment results of the Company and its subsidiaries, the Group’s share of results of associates and joint ventures.

Segment results are measured consistently with the Group’s profit/(loss) before tax except that the Group’s share of results of associates and joint ventures, unallocated corporate expenses and certain finance costs are excluded from such measurement.

Segment assets exclude interests in associates and joint ventures, deferred tax assets, tax recoverable and other head office and corporate assets which are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other head office and corporate liabilities which are managed on a group basis.

Inter-segment transactions are on an arm’s length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2023

| | Property investment HK\$'000 | Property development HK\$'000 | Treasury investment HK\$'000 | Securities investment HK\$'000 | Other HK\$'000 | Consolidated HK\$'000 |
|--|------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|-------------------|--------------------------|
| Revenue — external | 69,939 | – | 3,445 | – | 1,410 | 74,794 |
| Segment results | 27,968 | (4,699) | 3,445 | (322) | (1,604) | 24,788 |
| Unallocated corporate expenses | | | | | | (40,573) |
| Share of results of associates | – | 5,412 | – | – | – | 5,412 |
| Share of results of joint ventures | 169,361 | – | – | – | – | 169,361 |
| Profit before tax | | | | | | 158,988 |
| Segment assets | 169,860 | 76,589 | 121,477 | 3,148 | 338 | 371,412 |
| Interests in associates | 7,132 | 290,402 | – | – | – | 297,534 |
| Interests in joint ventures | 10,479,831 | – | – | – | – | 10,479,831 |
| Unallocated assets | | | | | | 9,307 |
| Total assets | | | | | | 11,158,084 |
| Segment liabilities | 470,429 | 8,983 | – | – | 347 | 479,759 |
| Unallocated liabilities | | | | | | 49,333 |
| Total liabilities | | | | | | 529,092 |
| Other segment information: | | | | | | |
| Capital expenditure <i>(Note)</i> | 130 | 520 | – | – | 11 | 661 |
| Depreciation | (210) | (28) | – | – | (278) | (516) |
| Interest income | 62,482 | – | 3,445 | – | – | 65,927 |
| Finance costs | (26,541) | – | – | – | (15) | (26,556) |
| Loss on disposal of fixed assets | – | (9) | – | – | – | (9) |
| Provisions for impairment losses on: | | | | | | |
| Properties held for sale | (783) | – | – | – | – | (783) |
| Properties under development | – | (110) | – | – | – | (110) |
| Net fair value loss on financial instruments at fair value through profit or loss | – | – | – | (283) | – | (283) |
| Fair value loss on investment properties | (7,639) | – | – | – | – | (7,639) |
| Unallocated: | | | | | | |
| Capital expenditure <i>(Note)</i> | | | | | | 1,095 |
| Depreciation | | | | | | (5,861) |

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022

| | Property investment HK\$'000 | Property development HK\$'000 | Treasury investment HK\$'000 | Securities investment HK\$'000 | Other HK\$'000 | Consolidated HK\$'000 |
|---|------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|-------------------|--------------------------|
| Revenue — external | 68,611 | – | 634 | 489 | 2,039 | 71,773 |
| Segment results | 46,954 | 16,771 | 634 | (1,114) | (2,168) | 61,077 |
| Unallocated corporate expenses | | | | | | (40,551) |
| Share of results of associates | – | (79,650) | – | – | – | (79,650) |
| Share of results of joint ventures | 550,340 | – | – | – | – | 550,340 |
| Profit before tax | | | | | | 491,216 |
| Segment assets | 175,345 | 79,021 | 186,648 | 3,434 | 616 | 445,064 |
| Interests in associates | 7,180 | 280,469 | – | – | – | 287,649 |
| Interests in joint ventures | 10,474,432 | – | – | – | – | 10,474,432 |
| Unallocated assets | | | | | | 13,534 |
| Total assets | | | | | | 11,220,679 |
| Segment liabilities | 460,364 | 9,403 | – | – | 604 | 470,371 |
| Unallocated liabilities | | | | | | 52,589 |
| Total liabilities | | | | | | 522,960 |
| Other segment information: | | | | | | |
| Depreciation | (131) | – | – | – | (253) | (384) |
| Interest income | 60,834 | – | 634 | – | 192 | 61,660 |
| Finance costs | (11,091) | – | – | – | (5) | (11,096) |
| Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations | – | 22,055 | – | – | – | 22,055 |
| Write-back of provisions/(Provisions) for impairment losses on: | | | | | | |
| Properties held for sale | 1,018 | – | – | – | – | 1,018 |
| Properties under development | – | (118) | – | – | – | (118) |
| Net fair value loss on financial instruments at fair value through profit or loss | – | – | – | (1,522) | – | (1,522) |
| Fair value loss on investment properties | (4,862) | – | – | – | – | (4,862) |
| Unallocated: | | | | | | |
| Capital expenditure (<i>Note</i>) | | | | | | 762 |
| Depreciation | | | | | | (5,531) |
| Loss on disposal of fixed assets | | | | | | (1) |
| Realised translation losses reclassified to the statement of profit or loss relating to liquidation of foreign operations | | | | | | (366) |

Note: Capital expenditure includes additions to fixed assets.

Notes to the Financial Statements *(continued)*

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------|------------------|------------------|
| Hong Kong | 2,847 | 211 |
| Mainland China | 4,552 | 4,995 |
| Republic of Singapore | 54,529 | 53,956 |
| Indonesia | 9,764 | 9,522 |
| Other | 3,102 | 3,089 |
| | 74,794 | 71,773 |

The revenue information above is based on the locations of the customers.

(b) Non-current assets

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------|-------------------|------------------|
| Hong Kong | 50 | 87 |
| Mainland China | 58,190 | 66,146 |
| Republic of Singapore | 10,639,948 | 10,637,124 |
| Indonesia | 154,670 | 146,791 |
| Other | 64,043 | 64,125 |
| | 10,916,901 | 10,914,273 |

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

For the year ended 31 December 2023, revenue of approximately HK\$52,625,000 (2022 — HK\$51,271,000) and HK\$9,764,000 (2022 — HK\$9,522,000) was derived from interest income from two major customers in the property investment segment.

Notes to the Financial Statements *(continued)*

5. REVENUE

An analysis of revenue is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Revenue from contracts with customers: | | |
| Provision of project management services | 1,408 | 1,827 |
| Revenue from other sources: | | |
| Property rental income from operating leases | 7,457 | 7,777 |
| Interest income | 65,927 | 61,660 |
| Dividend income | – | 489 |
| Other | 2 | 20 |
| | 73,386 | 69,946 |
| | 74,794 | 71,773 |

Revenue from contracts with customers

(a) Disaggregated revenue information

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Other segment: | | |
| Types of goods or services: | | |
| Provision of project management services | 1,408 | 1,827 |
| Geographical market: | | |
| Republic of Singapore | 1,408 | 1,827 |
| Timing of revenue recognition: | | |
| Services transferred over time | 1,408 | 1,827 |

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Other segment: | | |
| Revenue from contracts with external customers | 1,408 | 1,827 |
| Revenue from other sources — external | 2 | 212 |
| Total segment revenue | 1,410 | 2,039 |

Notes to the Financial Statements *(continued)*

5. REVENUE *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of project management services

The performance obligation is satisfied over time as services are rendered. Accordingly, the service fee income is recognised as the service is performed over time.

6. OTHER GAINS/(LOSSES) — NET

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Net fair value loss on financial instruments at fair value through profit or loss: | | |
| Financial assets at fair value through profit or loss mandatorily classified as such, including those held for trading: | | |
| Equity securities | (85) | (1,469) |
| Debt securities | (200) | (50) |
| Investment funds | 2 | (3) |
| Loss on disposal of fixed assets | (283) | (1,522) |
| Fair value loss on investment properties | (9) | (1) |
| Fair value loss on investment properties | (7,639) | (4,862) |
| Write-back of provisions/(Provisions) for impairment losses on: | | |
| Properties held for sale | (783) | 1,018 |
| Properties under development | (110) | (118) |
| Foreign exchange gains/(losses) — net | 73 | (786) |
| Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations | — | 21,689 |
| | (8,751) | 15,418 |

Notes to the Financial Statements *(continued)*

7. PROFIT BEFORE TAX

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

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Employee benefit expense <i>(Note (a))</i> : | | |
| Wages and salaries | (21,936) | (20,964) |
| Retirement benefit costs <i>(Note (b))</i> | (733) | (878) |
| Total staff costs | (22,669) | (21,842) |
| Interest income: | | |
| Loans and advances | 62,482 | 61,026 |
| Other | 3,445 | 634 |
| Depreciation of fixed assets | (6,107) | (5,669) |
| Depreciation of right-of-use assets | (270) | (246) |
| Auditors' remuneration | (3,408) | (3,276) |
| Lease payments not included in the measurement of lease liabilities <i>(Note 17(c))</i> | (1,510) | (2,210) |
| Direct operating expenses arising from rental-earning investment properties | (1,988) | (1,748) |
| Legal and professional fees <i>(Note (c))</i> | (1,924) | (3,242) |
| Consultancy and service fees <i>(Note (c))</i> | (5,456) | (5,805) |

Note:

- (a) The amounts include Directors' emoluments disclosed in Note 8 to the financial statements.
- (b) At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022 — Nil).
- (c) The amounts are included in "Other operating expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements *(continued)*

8. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Directors' fees | 2,490 | 2,277 |
| Basic salaries, allowances and benefits in kind | 1,663 | 1,642 |
| Discretionary bonuses paid and payable | 87 | 83 |
| Retirement benefit costs | 36 | 36 |
| | 4,276 | 4,038 |

The emoluments paid to each of the Directors during the year ended 31 December 2023 are as follows:

| 2023 | Directors' fees HK\$'000 | Basic salaries, allowances and benefits in kind HK\$'000 | Discretionary bonuses paid and payable HK\$'000 | Retirement benefit costs HK\$'000 | Total HK\$'000 |
|--------------------------------------|-----------------------------|--|--|---|-------------------|
| Executive directors: | | | | | |
| Stephen Riady | 263 | 1,053 | 87 | 18 | 1,421 |
| John Luen Wai Lee | 263 | 610 | – | 18 | 891 |
| Brian Riady <i>(Note (a))</i> | 200 | – | – | – | 200 |
| | 726 | 1,663 | 87 | 36 | 2,512 |
| Non-executive director: | | | | | |
| Leon Nim Leung Chan | 432 | – | – | – | 432 |
| Independent non-executive directors: | | | | | |
| King Fai Tsui | 524 | – | – | – | 524 |
| Edwin Neo | 432 | – | – | – | 432 |
| Min Yen Goh <i>(Note (b))</i> | 376 | – | – | – | 376 |
| | 1,332 | – | – | – | 1,332 |
| | 2,490 | 1,663 | 87 | 36 | 4,276 |

Notes to the Financial Statements *(continued)*

8. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments paid to each of the Directors during the year ended 31 December 2022 are as follows:

| 2022 | Directors' fees HK\$'000 | Basic salaries, allowances and benefits in kind HK\$'000 | Discretionary bonuses paid and payable HK\$'000 | Retirement benefit costs HK\$'000 | Total HK\$'000 |
|--------------------------------------|-----------------------------|---|--|--------------------------------------|-------------------|
| Executive directors: | | | | | |
| Stephen Riady | 255 | 1,039 | 83 | 18 | 1,395 |
| John Luen Wai Lee | 255 | 603 | – | 18 | 876 |
| | 510 | 1,642 | 83 | 36 | 2,271 |
| Non-executive director: | | | | | |
| Leon Nim Leung Chan | 419 | – | – | – | 419 |
| Independent non-executive directors: | | | | | |
| King Fai Tsui | 508 | – | – | – | 508 |
| Edwin Neo | 419 | – | – | – | 419 |
| Min Yen Goh <i>(Note (b))</i> | 2 | – | – | – | 2 |
| Victor Ha Kuk Yung <i>(Note (c))</i> | 419 | – | – | – | 419 |
| | 1,348 | – | – | – | 1,348 |
| | 2,277 | 1,642 | 83 | 36 | 4,038 |

Note:

- (a) Brian Riady was appointed as an executive director of the Company on 30 March 2023.
- (b) Min Yen Goh was appointed as an independent non-executive director of the Company on 30 December 2022.
- (c) Victor Ha Kuk Yung resigned as an independent non-executive director of the Company on 30 December 2022.

There were no arrangements under which a Director waived or agreed to waive any emoluments during the year.

No share options were granted to the Directors during the year.

Notes to the Financial Statements *(continued)*

9. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year ended 31 December 2023 included two Directors (2022 — one Director), details of whose emoluments are set out in Note 8 to the financial statements. Details of the emoluments of the remaining three (2022 — four) non-director, highest paid employees for the year are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Basic salaries, allowances and benefits in kind | 4,094 | 6,374 |
| Discretionary bonuses paid and payable | 1,500 | 2,710 |
| Retirement benefit costs | 48 | 117 |
| | 5,642 | 9,201 |

The number of non-director, highest paid employees whose emoluments fell within the following bands is as follows:

| Emoluments bands (HK\$): | 2023 Number of employees | 2022 Number of employees |
|--------------------------|--------------------------------|--------------------------------|
| 500,001 — 1,000,000 | 1 | — |
| 1,000,001 — 1,500,000 | — | 1 |
| 1,500,001 — 2,000,000 | 1 | — |
| 2,000,001 — 2,500,000 | — | 1 |
| 2,500,001 — 3,000,000 | — | 1 |
| 3,000,001 — 3,500,000 | 1 | 1 |
| | 3 | 4 |

10. FINANCE COSTS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Interest on bank and other borrowings | 26,541 | 11,091 |
| Interest on lease liabilities | 15 | 5 |
| | 26,556 | 11,096 |

Notes to the Financial Statements *(continued)*

11. SHARE OF RESULTS OF JOINT VENTURES

Share of results of joint ventures for the year ended 31 December 2023 mainly included share of profit of Lippo ASM Asia Property Limited (“LAAPL”, together with its subsidiaries, the “LAAPL Group”) of HK\$173,993,000 (2022 — HK\$554,277,000). The decrease was mainly attributable to lower profit contribution from its equity-accounted investees. LAAPL is a material joint venture of the Group, further details of which are given in Note 19 to the financial statements.

12. INCOME TAX

| | 2023 HK\$'000 | 2022 HK\$'000 |
|------------------------------|------------------|------------------|
| Hong Kong: | | |
| Charge for the year | 4,436 | 4,807 |
| Overprovision in prior years | (3) | (20) |
| Deferred (<i>Note 25</i>) | (6) | (12) |
| | 4,427 | 4,775 |
| Mainland China and overseas: | | |
| Charge for the year | 289 | 279 |
| Deferred (<i>Note 25</i>) | (1,886) | (1,482) |
| | (1,597) | (1,203) |
| Total charge for the year | 2,830 | 3,572 |

Hong Kong profits tax has been provided at the rate of 8.25% or 16.5% (2022 — 8.25% or 16.5%), as appropriate. For the companies operating in mainland China and the Republic of Singapore, corporate taxes have been calculated on the estimated assessable profits for the year at the rates of 25% and 17% (2022 — 25% and 17%), respectively. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Notes to the Financial Statements *(continued)*

12. INCOME TAX *(continued)*

A reconciliation of the tax charge applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Profit before tax | 158,988 | 491,216 |
| Tax at the statutory tax rate of 16.5% (2022 — 16.5%) | 26,233 | 81,051 |
| Effect of different tax rates in other jurisdictions | (689) | (345) |
| Adjustments in respect of current tax of previous years | (3) | (20) |
| Profits attributable to joint ventures and associates | (28,838) | (77,664) |
| Income not subject to tax | (507) | (4,046) |
| Expenses not deductible for tax | 4,118 | 4,197 |
| Effect of partial tax exemption and tax relief | (165) | (165) |
| Effect of withholding tax on the distributable profits of the Group's subsidiary in mainland China | – | (333) |
| Tax losses utilised from previous years | (322) | (271) |
| Tax losses not recognised | 3,003 | 1,168 |
| Tax charge at the Group's effective rate | 2,830 | 3,572 |

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

Basic earnings per share is calculated based on (i) the consolidated profit for the year attributable to equity holders of the Company; and (ii) the weighted average number of approximately 1,998,280,000 ordinary shares (2022 — approximately 1,998,280,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

14. DIVIDENDS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Interim dividend, declared — Nil (2022 — HK1 cent per ordinary share) | – | 19,983 |
| Final dividend, proposed — HK1 cent per ordinary share (2022 — Nil) | 19,983 | – |
| | 19,983 | 19,983 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Notes to the Financial Statements *(continued)*

15. FIXED ASSETS

| | Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK\$'000 | Yacht HK\$'000 | Total HK\$'000 |
|--|---|-------------------|-------------------|
| 2023 | | | |
| At 1 January 2023 | | | |
| Cost | 11,620 | 54,026 | 65,646 |
| Accumulated depreciation | (8,331) | (45,047) | (53,378) |
| Net carrying amount | 3,289 | 8,979 | 12,268 |
| At 1 January 2023, net of accumulated depreciation | 3,289 | 8,979 | 12,268 |
| Additions | 1,756 | – | 1,756 |
| Disposals | (9) | – | (9) |
| Depreciation provided during the year | (700) | (5,407) | (6,107) |
| Exchange adjustments | 15 | 61 | 76 |
| At 31 December 2023, net of accumulated depreciation | 4,351 | 3,633 | 7,984 |
| At 31 December 2023 | | | |
| Cost | 12,778 | 54,881 | 67,659 |
| Accumulated depreciation | (8,427) | (51,248) | (59,675) |
| Net carrying amount | 4,351 | 3,633 | 7,984 |
| 2022 | | | |
| At 1 January 2022 | | | |
| Cost | 11,153 | 53,610 | 64,763 |
| Accumulated depreciation | (8,217) | (39,339) | (47,556) |
| Net carrying amount | 2,936 | 14,271 | 17,207 |
| At 1 January 2022, net of accumulated depreciation | 2,936 | 14,271 | 17,207 |
| Additions | 762 | – | 762 |
| Disposals | (1) | – | (1) |
| Depreciation provided during the year | (401) | (5,268) | (5,669) |
| Exchange adjustments | (7) | (24) | (31) |
| At 31 December 2022, net of accumulated depreciation | 3,289 | 8,979 | 12,268 |
| At 31 December 2022 | | | |
| Cost | 11,620 | 54,026 | 65,646 |
| Accumulated depreciation | (8,331) | (45,047) | (53,378) |
| Net carrying amount | 3,289 | 8,979 | 12,268 |

Notes to the Financial Statements *(continued)*

16. INVESTMENT PROPERTIES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Carrying amount at beginning of year | 139,395 | 151,491 |
| Fair value adjustments | (7,639) | (4,862) |
| Exchange adjustments | (467) | (7,234) |
| Carrying amount at end of year | 131,289 | 139,395 |

The Group engages external, independent and professionally qualified valuers to perform valuations for determining the fair value of the Group's investment properties for financial reporting purposes. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has reviewed the valuation results by verifying the major inputs and assumptions made by the independent valuers and assessing the reasonableness of property valuation.

Based on professional valuations as at 31 December 2023 made by Asian Appraisal Company, Inc., CBRE, Inc., RHL Appraisal Limited and Savills Valuation And Professional Services (S) Pte Ltd, independent qualified valuers, the investment properties were revalued on an open market, existing use basis at HK\$131,289,000 (2022 — HK\$139,395,000).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| | Fair value measurement using | | | Total HK\$'000 |
|---------------------------------------|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| At 31 December 2023 | | | | |
| Recurring fair value measurement for: | | | | |
| Completed investment properties in: | | | | |
| Mainland China | – | – | 57,602 | 57,602 |
| Republic of Singapore | – | – | 18,637 | 18,637 |
| Overseas | – | – | 55,050 | 55,050 |
| | – | – | 131,289 | 131,289 |
| At 31 December 2022 | | | | |
| Recurring fair value measurement for: | | | | |
| Completed investment properties in: | | | | |
| Mainland China | – | – | 66,049 | 66,049 |
| Republic of Singapore | – | – | 18,347 | 18,347 |
| Overseas | – | – | 54,999 | 54,999 |
| | – | – | 139,395 | 139,395 |

Notes to the Financial Statements *(continued)*

16. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022 — Nil).

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties:

| Class of property | Valuation techniques | Significant unobservable inputs | Range |
|-------------------------------------|----------------------|-----------------------------------|---|
| Completed investment properties in: | | | |
| Mainland China | Market approach | Price per square metre | HK\$9,000 to HK\$12,500 (2022 — HK\$10,000 to HK\$13,500) |
| Republic of Singapore | Market approach | Price per square metre | HK\$142,500 to HK\$196,500 (2022 — HK\$148,500 to HK\$178,500) |
| Overseas | Market approach | Price per square metre | HK\$5,000 to HK\$74,000 (2022 — HK\$12,500 to HK\$74,000) |
| | Income approach | Rental per square metre per month | HK\$105 to HK\$4,000 (2022 — HK\$104 to HK\$4,000) |
| | | Capitalisation rate | 4.8% to 6.3% (2022 — 5.1% to 5.5%) |

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by referring to comparable sales transactions as available in the market. The key input was the market price per square metre. A significant increase/decrease in the market price in isolation would result in a significant increase/decrease in the fair value of the investment properties.

Under the income approach, fair value is estimated on the basis of capitalisation of the net income and has allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential. The key inputs were the market rent and the capitalisation rate. A significant increase/decrease in the market rent in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties.

Notes to the Financial Statements *(continued)*

17. LEASES

The Group as a lessee

As at 31 December 2022, the Group had a lease contract for office premise for a fixed period of 1 year with an extension option for a period of 1 year. The Group had included the renewal periods under the extension option as part of the lease term as there was an economic incentive for it to exercise the option. During the year ended 31 December 2023, the Group has renewed the lease period for such office premise for a fixed period of 1 year with no extension option. The Group also has other lease contracts used in its operations. These lease contracts are generally made for fixed periods of 1 year and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Land and building: | | |
| Balance at beginning of year | 529 | 240 |
| Additions | – | 539 |
| Depreciation provided during the year | (270) | (246) |
| Exchange adjustments | 4 | (4) |
| Balance at end of year | 263 | 529 |

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Balance at beginning of year | 530 | 251 |
| Additions | – | 539 |
| Interest expenses | 15 | 5 |
| Payments | (280) | (259) |
| Exchange adjustments | 4 | (6) |
| Balance at end of year | 269 | 530 |
| Analysed into: | | |
| Within one year | 269 | 265 |
| After one year but within two years | – | 265 |
| | 269 | 530 |

The maturity analysis of lease liabilities is disclosed in Note 35(b) to the financial statements.

Notes to the Financial Statements *(continued)*

17. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) Amounts recognised in profit or loss in relation to leases

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Interest on lease liabilities | 15 | 5 |
| Depreciation of right-of-use assets | 270 | 246 |
| Expense relating to short-term leases (included in administrative expenses) | 1,510 | 2,210 |
| Total amount recognised in the statement of profit or loss | 1,795 | 2,461 |

(d) The total cash outflow for leases is disclosed in Note 29(d) to the financial statements.

The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market condition. Rental income recognised by the Group during the year was HK\$7,457,000 (2022 — HK\$7,777,000), details of which are included in Note 5 to the financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Within one year | 4,949 | 4,589 |
| After one year but within two years | 2,900 | 2,638 |
| After two years but within three years | 2,221 | 1,166 |
| After three years but within four years | 1,764 | 838 |
| After four years but within five years | 464 | 749 |
| | 12,298 | 9,980 |

Notes to the Financial Statements *(continued)*

18. INTERESTS IN ASSOCIATES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|----------------------------------|------------------|------------------|
| Share of net assets | 302,047 | 292,114 |
| Due from associates | 7,132 | 7,180 |
| Provisions for impairment losses | (11,645) | (11,645) |
| | 297,534 | 287,649 |

As at 31 December 2023, the amounts due from associates included balances of HK\$790,000 (2022 — HK\$1,036,000), which are unsecured, bear interest at a rate of 10% per annum (2022 — 10% per annum) and are fully repayable by 2027. The remaining balances with associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these balances are considered as part of the Group's net investments in the associates. As at 31 December 2023 and 2022, the loss allowance for impairment of amounts due from associates was assessed to be minimal as there has been no significant increase in credit risk of the balance.

During the year, the Directors reviewed the carrying amount of interests in associates with reference to their business performances prepared by the investees' management. No impairment loss (2022 — Nil) has been charged to the consolidated statement of profit or loss for the year.

Details of the principal associates are set out on page 145.

Greenix Limited ("Greenix") and its subsidiaries, which are considered material associates of the Group, are engaged in property development in Singapore and are accounted for using the equity method.

The following table illustrates the summarised consolidated financial information of Greenix, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Current assets | 807,277 | 777,291 |
| Current liabilities | (226,473) | (216,352) |
| Net assets | 580,804 | 560,939 |
| Reconciliation to the Group's interests in the associates: Group's share of net assets of the associate and carrying amount of the investment | 290,402 | 280,469 |
| Revenue for the year | 51,869 | 204,045 |
| Profit/(Loss) and total comprehensive income/(loss) for the year | 10,824 | (159,301) |

Notes to the Financial Statements *(continued)*

18. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Aggregate carrying amount of the Group's interests in the associates | 7,132 | 7,180 |

In 2022, the Singapore court partially allowed the appeal by a bank in its claims against an associate of the Group, amongst others, and found the associate liable for losses and damages suffered by the bank in connection with certain loans granted to third parties by the bank. The amount of damages will be determined by a formal process before the court. As at the date of approval of these financial statements, the process is still ongoing. The information usually required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on the provision made by the associate is not disclosed on grounds that it may prejudice the outcome for the associate.

19. INTERESTS IN JOINT VENTURES

| | 2023 HK\$'000 | 2022 HK\$'000 |
|----------------------------------|-------------------|------------------|
| Share of net assets | 7,547,293 | 7,650,028 |
| Due from joint ventures | 2,950,735 | 2,842,603 |
| Due to a joint venture | (4,352) | (4,354) |
| Provisions for impairment losses | (13,845) | (13,845) |
| | 10,479,831 | 10,474,432 |

As at 31 December 2023, the amounts due from joint ventures included balances of HK\$2,747,483,000 (2022 — HK\$2,652,087,000), which are unsecured, bear interest at rates ranging from nil to 2.25% per annum (2022 — nil to 2.25% per annum) and are repayable on demand. The amounts due from joint ventures also included balances of HK\$189,407,000 (2022 — HK\$176,671,000), which are unsecured, bear interest at rates ranging from nil to 7% per annum (2022 — nil to 7% per annum) and are repayable when the resources of the joint venture permit. The remaining balances with the joint ventures are unsecured, interest-free and repayable on demand. In the opinion of the Directors, the balances with joint ventures are considered as part of the Group's net investments in the joint ventures. As at 31 December 2023, the loss allowance for impairment of amounts due from joint ventures amounted to HK\$13,845,000 (2022 — HK\$13,845,000), which represented lifetime ECLs made for credit-impaired balances. Except for the credit-impaired balances which were fully impaired in prior years, there has been no significant increase in credit risk of the remaining balances. As at 31 December 2023 and 2022, the loss allowance for such remaining balances was assessed to be minimal.

Details of the principal joint ventures are set out on page 146.

Notes to the Financial Statements *(continued)*

19. INTERESTS IN JOINT VENTURES *(continued)*

LAAPL is considered a material joint venture of the Group and is accounted for using the equity method. LAAPL is the investment vehicle holding a controlling stake in OUE Limited (“OUE”, together with its subsidiaries, the “OUE Group”). OUE is listed on the Mainboard of Singapore Exchange Securities Trading Limited. The OUE Group is a leading pan-Asian, full service real estate development, investment and management conglomerate with assets across the commercial, hospitality, retail, residential, healthcare and consumer sectors. Certain bank facilities of the LAAPL Group were secured by certain listed shares held under it. The Directors assessed whether there is any indication that the carrying amount of interest in the joint venture may be impaired and the recoverable amount of the joint venture is estimated based on a value-in-use calculation. The Directors considered no impairment loss was necessary for the year ended 31 December 2023 (2022 — Nil).

The following table illustrates the summarised consolidated financial information of LAAPL, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|---------------------|------------------|
| Non-current assets | 47,850,395 | 47,360,742 |
| Cash and cash equivalents | 1,192,615 | 2,021,844 |
| Other current assets | 1,362,559 | 1,558,026 |
| Current assets | 2,555,174 | 3,579,870 |
| Financial liabilities, excluding trade and other payables | (2,921,663) | (7,671,720) |
| Other current liabilities | (2,088,787) | (2,122,592) |
| Current liabilities | (5,010,450) | (9,794,312) |
| Non-current financial liabilities, excluding trade and other payables and provisions | (19,038,086) | (14,360,429) |
| Other non-current liabilities | (1,008,138) | (1,013,506) |
| Non-current liabilities | (20,046,224) | (15,373,935) |
| Net assets | 25,348,895 | 25,772,365 |
| Less: Non-controlling interests | (17,311,246) | (17,630,852) |
| Net assets attributable to equity holders of the joint venture | 8,037,649 | 8,141,513 |
| Reconciliation to the Group's interests in the joint venture: | | |
| Group's share of net assets of the joint venture | 7,577,678 | 7,675,554 |
| Due from the joint venture | 2,747,483 | 2,652,087 |
| Carrying amount of the investment | 10,325,161 | 10,327,641 |
| Revenue | 3,632,231 | 2,789,218 |
| Interest income | 46,121 | 35,723 |
| Depreciation and amortisation | (229,430) | (196,055) |
| Interest expenses | (938,634) | (792,404) |
| Tax | 77,250 | (239,794) |
| Profit for the year attributable to equity holders of the joint venture | 184,592 | 588,041 |
| Other comprehensive loss for the year attributable to equity holders of the joint venture | (198,518) | (1,121,701) |
| Total comprehensive loss for the year attributable to equity holders of the joint venture | (13,926) | (533,660) |

Notes to the Financial Statements *(continued)*

19. INTERESTS IN JOINT VENTURES *(continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Share of the joint ventures' loss for the year | (4,632) | (3,937) |
| Share of the joint ventures' other comprehensive income/(loss) for the year | 2,678 | (5,262) |
| Share of the joint ventures' total comprehensive loss for the year | (1,954) | (9,199) |
| Aggregate carrying amount of the Group's interests in the joint ventures | 154,670 | 146,791 |

As at 31 December 2023, the Group's share of joint ventures' own capital commitments amounted to HK\$19,251,000 (2022 — HK\$5,814,000).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Financial assets at fair value through other comprehensive income: | | |
| Equity securities | 72 | 73 |

The Group has designated certain equity securities as financial assets at fair value through other comprehensive income as the Group considers these equity securities to be strategic in nature.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Mandatorily classified as such, including those held for trading: | | |
| Equity securities | 226 | 311 |
| Debt securities | 2,850 | 3,050 |
| | 3,076 | 3,361 |
| Analysed for financial reporting purposes as: | | |
| Current assets | 226 | 311 |
| Non-current assets | 2,850 | 3,050 |
| | 3,076 | 3,361 |

Notes to the Financial Statements *(continued)*

22. PROPERTIES UNDER DEVELOPMENT

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Land and buildings situated outside Hong Kong, at cost: | | |
| Balance at beginning of year | 35,367 | 40,040 |
| Additions | 176 | 192 |
| Exchange adjustments | (2,449) | (4,865) |
| Balance at end of year | 33,094 | 35,367 |
| Provisions for impairment losses: | | |
| Balance at beginning of year | (10,286) | (11,569) |
| Impairment during the year | (110) | (118) |
| Exchange adjustments | 710 | 1,401 |
| Balance at end of year | (9,686) | (10,286) |
| | 23,408 | 25,081 |

The carrying amount of properties under development is expected to be recovered in more than 12 months after the end of the reporting period.

23. DEBTORS, PREPAYMENTS AND OTHER ASSETS

Included in the balances are trade debtors with an ageing analysis, based on the invoice date and net of loss allowance, as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---------------------------------|------------------|------------------|
| Outstanding balances with ages: | | |
| Within 30 days | 21 | 21 |

The balances of debtors, prepayments and other assets are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

An impairment analysis for trade debtors is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on the past due status of the debtors and adjusted for factors specific to the debtors, general economic condition forecasts and forward-looking information that is available without undue cost or effort. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal. No loss allowance (2022 — Nil) was charged to the consolidated statement of profit or loss for the year.

Notes to the Financial Statements *(continued)*

23. DEBTORS, PREPAYMENTS AND OTHER ASSETS *(continued)*

Set out below is the information about credit risk exposure on the Group's trade debtors using a provision matrix:

| | Expected credit loss rate | 2023 Gross carrying amount HK\$'000 | Expected credit losses HK\$'000 | Expected credit loss rate | 2022 Gross carrying amount HK\$'000 | Expected credit losses HK\$'000 |
|----------------|---------------------------|---|------------------------------------|---------------------------|---|------------------------------------|
| Past due: | | | | | | |
| Within 30 days | 0% | 21 | – | 0% | 21 | – |

The movements in the loss allowance for impairment of other financial assets included in debtors, prepayments and other assets are as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|------------------------------|------------------|------------------|
| Balance at beginning of year | 4,003 | 4,350 |
| Exchange adjustments | 47 | (347) |
| Balance at end of year | 4,050 | 4,003 |

Loss allowance represented lifetime ECLs made for credit-impaired balances. Except for the credit-impaired balances, there has been no significant increase in credit risk of the remaining balances, additional ECLs required for the years ended 31 December 2023 and 2022 were minimal.

24. BANK LOANS

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Unsecured bank loans <i>(Note)</i> | 465,667 | 456,111 |
| Bank loans repayable: | | |
| In the second year | 465,667 | – |
| In the third to fifth years, inclusive | – | 456,111 |
| | 465,667 | 456,111 |

Note: The Group's bank loans were denominated in Hong Kong dollars and bore interest at floating rate. The Company has provided corporate guarantee for the bank loans granted to a subsidiary of the Company.

Notes to the Financial Statements *(continued)*

25. DEFERRED TAX

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

| | Depreciation allowance in excess of related depreciation HK\$'000 | Revaluation of properties HK\$'000 | Right-of-use assets HK\$'000 | Lease liabilities HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|---|--|---------------------------------------|---------------------------------|-------------------------------|--------------------|-------------------|
| 2023 | | | | | | |
| At 31 December 2022 | 1,487 | 11,801 | – | – | – | 13,288 |
| Effect of adoption of amendments to HKAS 12 (Note 2.2(c)) | – | – | 90 | (90) | – | – |
| At 1 January 2023 (restated) | 1,487 | 11,801 | 90 | (90) | – | 13,288 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year (Note 12) | (6) | (1,886) | (46) | 46 | – | (1,892) |
| Exchange adjustments | 10 | (54) | 1 | (1) | – | (44) |
| At 31 December 2023 | 1,491 | 9,861 | 45 | (45) | – | 11,352 |
| 2022 | | | | | | |
| At 31 December 2021 | 1,634 | 13,588 | – | – | 350 | 15,572 |
| Effect of adoption of amendments to HKAS 12 (Note 2.2(c)) | – | – | 41 | (41) | – | – |
| At 1 January 2022 (restated) | 1,634 | 13,588 | 41 | (41) | 350 | 15,572 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year (restated) (Note 12) | (12) | (1,149) | 48 | (48) | (333) | (1,494) |
| Exchange adjustments | (135) | (638) | 1 | (1) | (17) | (790) |
| At 31 December 2022 (restated) | 1,487 | 11,801 | 90 | (90) | – | 13,288 |

The following is the reconciliation to the consolidated statement of financial position for financial reporting purposes:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Net deferred tax liabilities recognised in the consolidated statement of financial position | 11,352 | 13,288 |

Notes to the Financial Statements *(continued)*

25. DEFERRED TAX *(continued)*

The Group has tax losses of HK\$104,736,000 (2022 — HK\$86,116,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the People's Republic of China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2023, there were no significant unrecognised deferred tax liabilities (2022 — Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint ventures as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

26. SHARE CAPITAL

| | Number of ordinary shares | HK\$'000 |
|--|------------------------------|----------------|
| Authorised: | | |
| At 1 January 2022, 31 December 2022 and 1 January 2023 | | |
| 4,000,000,000 ordinary shares of HK\$1.00 each | 4,000,000,000 | 4,000,000 |
| Capital Reorganisation (<i>Note</i>) | – | (3,600,000) |
| At 31 December 2023 | 4,000,000,000 | 400,000 |
| Issued and fully paid: | | |
| At 1 January 2022, 31 December 2022 and 1 January 2023 | | |
| 1,998,280,097 ordinary shares of HK\$1.00 each | 1,998,280,097 | 1,998,280 |
| Capital Reorganisation (<i>Note</i>) | – | (1,798,452) |
| At 31 December 2023 | 1,998,280,097 | 199,828 |

Note: A capital reorganisation (the "Capital Reorganisation") of the Company took effect on 3 July 2023. The Capital Reorganisation involved, inter alia, the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.90 on each of the issued shares such that the par value of each issued share was reduced from HK\$1.00 to HK\$0.10 and the authorised share capital of the Company was changed to HK\$400,000,000 divided into 4,000,000,000 shares of par value of HK\$0.10 each. On the same day, the amount of share capital being reduced of HK\$1,798,452,000 was transferred to the share premium account and the balance of the share premium account was transferred to the contributed surplus account included in distributable reserves of the Company.

Notes to the Financial Statements *(continued)*

27. RESERVES

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 74.

Note:

- (a) Transfer from the share premium account to distributable reserves:

Pursuant to a special resolution passed at a special general meeting of the Company on 2 December 1997, the entire amount standing to the credit of the share premium account of HK\$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to the distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company. As at 31 December 2023, the remaining balance arising from the Cancellation amounted to HK\$744,975,000 (2022 — HK\$744,975,000).

Pursuant to the Capital Reorganisation effected on 3 July 2023, the balance of the share premium account of HK\$1,891,227,000 was transferred to the distributable reserves. The balance of the reserves arising from the Capital Reorganisation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.

- (b) The distributable reserves and the capital redemption reserve are available for distribution to shareholders.

Included in the distributable reserves of the Group as at 31 December 2023 was an amount of final dividend for the year ended 31 December 2023 of HK\$19,983,000 (2022 — Nil) proposed after the end of the reporting period.

- (c) The hedging reserve relates to the Group's share of the hedging reserve of joint ventures.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Beijing Lippo Century Realty Co., Ltd. is considered a subsidiary that has material non-controlling interests. The percentage of equity interest held by its non-controlling shareholder as at 31 December 2023 was 20% (2022 — 20%). Details of the Group's subsidiary that has material non-controlling interests are set out below:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Loss for the year allocated to non-controlling interests | (961) | (1,124) |
| Accumulated balances of non-controlling interests at the end of the reporting period | 16,170 | 17,373 |

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Current assets | 114,561 | 121,535 |
| Non-current assets | 541 | 58 |
| Current liabilities | (33,722) | (34,190) |
| Revenue | 131 | 223 |
| Total expenses | (4,937) | (5,845) |
| Loss for the year | (4,806) | (5,622) |
| Total comprehensive loss for the year | (6,023) | (13,978) |
| Net cash flows used in operating activities | (4,938) | (10,110) |
| Net cash flows used in investing activities | (520) | — |
| Net decrease in cash and cash equivalents | (5,458) | (10,110) |

Notes to the Financial Statements *(continued)*

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash used in operations

| | Note | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------|------------------|------------------|
| Profit before tax | | 158,988 | 491,216 |
| Adjustments for: | | | |
| Share of results of associates | | (5,412) | 79,650 |
| Share of results of joint ventures | | (169,361) | (550,340) |
| Loss on disposal of fixed assets | 6 | 9 | 1 |
| Fair value loss on investment properties | 6 | 7,639 | 4,862 |
| Provisions/(Write-back of provisions) for impairment losses on: | | | |
| Properties held for sale | 6 | 783 | (1,018) |
| Properties under development | 6 | 110 | 118 |
| Realised translation gains reclassified to the statement of profit or loss relating to liquidation of foreign operations | 6 | – | (21,689) |
| Net fair value loss on financial instruments at fair value through profit or loss | 6 | 283 | 1,522 |
| Finance costs | 10 | 26,556 | 11,096 |
| Interest income | 5 | (65,927) | (61,660) |
| Dividend income | 5 | – | (489) |
| Depreciation of fixed assets | 7 | 6,107 | 5,669 |
| Depreciation of right-of-use assets | 7 | 270 | 246 |
| | | (39,955) | (40,816) |
| Increase in properties under development | | (176) | (192) |
| Decrease in loans and advances | | – | 7,402 |
| Decrease/(Increase) in debtors, prepayments and other assets | | 40 | (1,016) |
| Decrease in financial instruments at fair value through profit or loss | | 2 | 8,901 |
| Decrease in other payables, accruals and other liabilities | | (1,108) | (2,107) |
| Cash used in operations | | (41,197) | (27,828) |

(b) Major non-cash transactions

Save as disclosed elsewhere in the financial statements, the Group had the following major non-cash transactions:

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$539,000 and HK\$539,000, respectively, in respect of lease arrangements.

Notes to the Financial Statements *(continued)*

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Changes in liabilities arising from financing activities

| | Bank and other borrowings HK\$'000 | Interest payable HK\$'000 | Lease liabilities HK\$'000 | Total HK\$'000 |
|--|---|---------------------------------|----------------------------------|-------------------|
| At 1 January 2023 | 456,111 | 116 | 530 | 456,757 |
| Changes from financing cash flows: | | | | |
| Drawdown of bank and other borrowings | 49,000 | – | – | 49,000 |
| Repayment of other borrowings | (43,000) | – | – | (43,000) |
| Principal portion of lease payments | – | – | (265) | (265) |
| Finance costs paid | – | (22,815) | (15) | (22,830) |
| Total changes from financing cash flows | 6,000 | (22,815) | (280) | (17,095) |
| Exchange adjustments | – | – | 4 | 4 |
| Finance costs charged to the statement of profit or loss | 3,556 | 22,985 | 15 | 26,556 |
| At 31 December 2023 | 465,667 | 286 | 269 | 466,222 |
| At 1 January 2022 | 272,556 | 11 | 251 | 272,818 |
| Changes from financing cash flows: | | | | |
| Drawdown of bank borrowings | 180,000 | – | – | 180,000 |
| Principal portion of lease payments | – | – | (254) | (254) |
| Finance costs paid | – | (7,431) | (5) | (7,436) |
| Total changes from financing cash flows | 180,000 | (7,431) | (259) | 172,310 |
| Addition to lease liabilities | – | – | 539 | 539 |
| Exchange adjustments | – | – | (6) | (6) |
| Finance costs charged to the statement of profit or loss | 3,555 | 7,536 | 5 | 11,096 |
| At 31 December 2022 | 456,111 | 116 | 530 | 456,757 |

(d) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|-----------------------------|------------------|------------------|
| Within operating activities | 1,510 | 2,210 |
| Within financing activities | 280 | 259 |
| | 1,790 | 2,469 |

Notes to the Financial Statements *(continued)*

30. CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (2022 — Nil).

31. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Commitments in respect of properties, plant and equipment: Contracted, but not provided for | — | 354 |

32. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

- (a) During the year, the Company paid rental expenses (including service charges) of HK\$1,166,000 (2022 — HK\$1,268,000) to a fellow subsidiary of the Company, in respect of office premises occupied by the Company. The rental was determined by reference to the then prevailing open market rentals. Such lease will expire on 31 July 2024. The Company expects the total future minimum lease payables for the year ending 31 December 2024 to be approximately HK\$530,000.
- (b) During the year, the Group received interest income of HK\$62,389,000 (2022 — HK\$60,793,000) from joint ventures of the Group.
- (c) During the year, the Group received revenue from the provision of project management services of HK\$1,338,000 (2022 — HK\$1,622,000) from an associate of the Group.
- (d) During the year, the Company borrowed an unsecured loan from an intermediate holding company of the Company of HK\$43,000,000 (2022 — Nil). The loan bore interest at 3% per annum and was fully repaid during the year.
- (e) As at 31 December 2023, the Group had balances with its associates and joint ventures, further details of which are set out in Notes 18 and 19 to the financial statements.
- (f) The key management personnel of the Group are its Directors. Details of the Directors' emoluments are disclosed in Note 8 to the financial statements.

The transactions referred to in items (a) and (d) above were continuing connected transaction and connected transaction respectively, both were exempted from reporting, annual review and independent shareholders' approval under Chapter 14A of the Listing Rules. The transactions referred to in items (b), (c), (e) and (f) above were not continuing connected transactions or connected transactions as defined under Chapter 14A of the Listing Rules which were subject to the disclosure requirements under the Listing Rules.

Notes to the Financial Statements *(continued)*

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

| | Financial assets at fair value through profit or loss — Mandatorily classified as such, including those held for trading HK\$'000 | Financial assets at fair value through other comprehensive income — Equity securities HK\$'000 | Financial assets at amortised cost HK\$'000 | Total HK\$'000 |
|--|--|---|--|-------------------|
| At 31 December 2023 | | | | |
| Financial assets at fair value through other comprehensive income | – | 72 | – | 72 |
| Financial assets at fair value through profit or loss | 3,076 | – | – | 3,076 |
| Amounts due from associates | – | – | 7,132 | 7,132 |
| Amounts due from joint ventures | – | – | 2,936,890 | 2,936,890 |
| Financial assets included in debtors, prepayments and other assets | – | – | 3,640 | 3,640 |
| Cash and cash equivalents | – | – | 145,457 | 145,457 |
| | 3,076 | 72 | 3,093,119 | 3,096,267 |
| At 31 December 2022 | | | | |
| Financial assets at fair value through other comprehensive income | – | 73 | – | 73 |
| Financial assets at fair value through profit or loss | 3,361 | – | – | 3,361 |
| Amounts due from associates | – | – | 7,180 | 7,180 |
| Amounts due from joint ventures | – | – | 2,828,758 | 2,828,758 |
| Financial assets included in debtors, prepayments and other assets | – | – | 3,291 | 3,291 |
| Cash and cash equivalents | – | – | 207,373 | 207,373 |
| | 3,361 | 73 | 3,046,602 | 3,050,036 |

Notes to the Financial Statements *(continued)*

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

| | Financial liabilities at amortised cost | |
|--|--|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 |
| Bank loans | 465,667 | 456,111 |
| Financial liabilities included in other payables, accruals and other liabilities | 16,090 | 19,206 |
| Amount due to a joint venture | 4,352 | 4,354 |
| | 486,109 | 479,671 |

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|--|------------------|------------------|------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | 72 | 73 | 72 | 73 |
| Financial assets at fair value through profit or loss | 3,076 | 3,361 | 3,076 | 3,361 |
| | 3,148 | 3,434 | 3,148 | 3,434 |

Management has assessed that the fair values of cash and cash equivalents, financial assets included in debtors, prepayments and other assets, amounts due from associates and joint ventures and financial liabilities included in other payables, accruals and other liabilities approximate to their carrying amounts largely due to the short-term maturity of these instruments. In addition, the fair values of interest-bearing bank loans approximate to their carrying amounts as they are floating rate instruments that are repriced to market interest rates at or near the end of the reporting period and the changes in fair value as a result of the Group's non-performance risk were considered to be minimal.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of significant financial instruments. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the Financial Statements *(continued)*

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity securities are based on quoted market prices.

The fair values of unlisted debt securities are determined by reference to the quoted market prices from the broker using a valuation technique with market observable inputs.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

| | Fair value measurement using | | | Total HK\$'000 |
|---|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| At 31 December 2023 | | | | |
| Financial assets at fair value through other comprehensive income: | | | | |
| Equity securities | 72 | – | – | 72 |
| Financial assets at fair value through profit or loss: | | | | |
| Equity securities | 226 | – | – | 226 |
| Debt securities | – | 2,850 | – | 2,850 |
| | 298 | 2,850 | – | 3,148 |
| At 31 December 2022 | | | | |
| Financial assets at fair value through other comprehensive income: | | | | |
| Equity securities | 73 | – | – | 73 |
| Financial assets at fair value through profit or loss: | | | | |
| Equity securities | 311 | – | – | 311 |
| Debt securities | – | 3,050 | – | 3,050 |
| | 384 | 3,050 | – | 3,434 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022 — Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements *(continued)*

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has established policies and procedures for risk management which are reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The risk management function is carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Executive Directors of the Group, which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

(a) Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises from treasury, investment and other activities undertaken by the Group.

The Group trades only with recognised and creditworthy parties. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control for trade debtors. New customers are subject to credit evaluation while the Group continues to monitor existing customers, especially those with repayment issues. Credit approval for loans and advances takes into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Appropriate allowances are made for probable losses when necessary for identified debtors. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade debtors are widely dispersed.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

| | 12-month ECLs | | Lifetime ECLs | | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|------------------------------------|-------------------|
| | Stage 1 HK\$'000 | Stage 2 HK\$'000 | Stage 3 HK\$'000 | Simplified approach HK\$'000 | |
| As at 31 December 2023 | | | | | |
| Amounts due from associates* | 7,132 | - | - | - | 7,132 |
| Amounts due from joint ventures* | 2,936,890 | - | 13,845 | - | 2,950,735 |
| Financial assets included in debtors, prepayments and other assets | | | | | |
| Trade debtors** | - | - | - | 21 | 21 |
| Others* | 3,619 | - | 4,050 | - | 7,669 |
| Cash and cash equivalents*** | 145,457 | - | - | - | 145,457 |
| | 3,093,098 | - | 17,895 | 21 | 3,111,014 |

Notes to the Financial Statements *(continued)*

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

| | 12-month ECLs | | Lifetime ECLs | | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|------------------------------------|-------------------|
| | Stage 1 HK\$'000 | Stage 2 HK\$'000 | Stage 3 HK\$'000 | Simplified approach HK\$'000 | |
| As at 31 December 2022 | | | | | |
| Amounts due from associates* | 7,180 | – | – | – | 7,180 |
| Amounts due from joint ventures* | 2,828,758 | – | 13,845 | – | 2,842,603 |
| Financial assets included in debtors, prepayments and other assets | | | | | |
| Trade debtors** | – | – | – | 21 | 21 |
| Others* | 3,270 | – | 4,003 | – | 7,273 |
| Cash and cash equivalents*** | 207,373 | – | – | – | 207,373 |
| | 3,046,581 | – | 17,848 | 21 | 3,064,450 |

* Further details in respect of the Group's loss allowance for impairment of amounts due from associates, amounts due from joint ventures and other financial assets included in debtors, prepayments and other assets are disclosed in Notes 18, 19 and 23 to the financial statements, respectively.

** For trade debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 23 to the financial statements.

*** The bank balances are deposited with creditworthy financial institutions with no recent history of default. The Group considers these balances to have low credit risk and the amount of the loss allowance for impairment was negligible.

(b) Liquidity risk

The Group manages the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations meet the statutory requirement for the minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitors the liquidity position of the Group on an on-going basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources. As at 31 December 2023 and 2022, none of the Group's debts would mature in less than one year based on the carrying values of bank loans.

Notes to the Financial Statements *(continued)*

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

The maturity profile of liabilities of the Group as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | Repayable on demand HK\$'000 | 3 months or less HK\$'000 | 1 year or less but over 3 months HK\$'000 | 5 years or less but over 1 year HK\$'000 | Total HK\$'000 |
|--|------------------------------------|---------------------------------|---|--|-------------------|
| At 31 December 2023 | | | | | |
| Bank loans | - | 8,681 | 26,235 | 488,935 | 523,851 |
| Lease liabilities | - | 71 | 203 | - | 274 |
| Financial liabilities included in other payables, accruals and other liabilities | - | 7,347 | 8,743 | - | 16,090 |
| Amount due to a joint venture | 4,352 | - | - | - | 4,352 |
| | 4,352 | 16,099 | 35,181 | 488,935 | 544,567 |
| At 31 December 2022 | | | | | |
| Bank loans | - | 5,199 | 15,885 | 497,001 | 518,085 |
| Lease liabilities | - | 70 | 210 | 269 | 549 |
| Financial liabilities included in other payables, accruals and other liabilities | - | 10,901 | 8,305 | - | 19,206 |
| Amount due to a joint venture | 4,354 | - | - | - | 4,354 |
| | 4,354 | 16,170 | 24,400 | 497,270 | 542,194 |

(c) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest-bearing assets and liabilities. The Group's interest rate positions mainly arise from treasury and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. When appropriate, interest rate swaps would be used to manage this risk in a cost-effective manner. The interest rate risk is managed and monitored regularly by the senior management of the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate monetary assets and liabilities).

| | 2023 | | 2022 | |
|----------------------|--|---|--|---|
| | Increase/ (Decrease) in basis points | Increase/ (Decrease) in profit before tax HK\$'000 | Increase/ (Decrease) in basis points | Increase/ (Decrease) in profit before tax HK\$'000 |
| Hong Kong dollar | +50 | (2,325) | +50 | (2,266) |
| United States dollar | +50 | 44 | +50 | 56 |
| Singapore dollar | +50 | 26 | +50 | 55 |
| Renminbi | +50 | 130 | +50 | 115 |
| Hong Kong dollar | -50 | 2,325 | -50 | 2,266 |
| United States dollar | -50 | (44) | -50 | (56) |
| Singapore dollar | -50 | (26) | -50 | (55) |
| Renminbi | -50 | (130) | -50 | (115) |

Notes to the Financial Statements *(continued)*

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from movements in foreign exchange rates. The Group's foreign currency risk primarily arises from currency exposures originating from its foreign exchange dealings and other investment activities conducted in currencies other than the functional currencies of the operating units.

The Group monitors the relative foreign exchange positions of its assets and liabilities to minimise foreign currency risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk is managed and monitored on an on-going basis by the senior management of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Singapore dollar exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax (arising from United States dollar and Singapore dollar denominated financial instruments).

| | Increase/(Decrease) in profit before tax | |
|---|---|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 |
| United States dollar against Hong Kong dollar | | |
| — strengthened by 3% (2022 — 3%) | 646 | 158 |
| — weakened by 3% (2022 — 3%) | (646) | (158) |
| Singapore dollar against Hong Kong dollar | | |
| — strengthened by 3% (2022 — 3%) | 139 | 318 |
| — weakened by 3% (2022 — 3%) | (139) | (318) |

At the end of the reporting period, total cash and cash equivalents of the Group's subsidiaries in mainland China denominated in Renminbi amounted to HK\$66,909,000 (2022 — HK\$69,094,000). The conversion of these Renminbi balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government in mainland China.

(e) Equity price risk

Equity price risk is the risk that the fair values of financial assets decrease as a result of changes in the levels of equity indices and the values of individual financial assets. The Group is exposed to equity price risk mainly arising from individual financial assets included in financial assets at fair value through other comprehensive income (Note 20) and financial assets at fair value through profit or loss (Note 21) as at 31 December 2023. The Group's listed financial assets are listed on the stock exchange in Hong Kong and are valued at quoted market prices at the end of the reporting period.

Notes to the Financial Statements *(continued)*

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(e) Equity price risk *(continued)*

The market equity indices (rounded down) for the stock exchange in Hong Kong, at the close of business of the nearest trading day to the end of the reporting period, and the respective highest and lowest points during the year were as follows:

| | 31 December 2023 | High/Low 2023 | 31 December 2022 | High/Low 2022 |
|-----------------------------|---------------------|------------------|---------------------|------------------|
| Hong Kong — Hang Seng Index | 17,047 | 22,700/15,972 | 19,781 | 25,050/14,597 |

The senior management of the Group regularly reviews and monitors the mix of securities in the Group's investment portfolio based on the fair value to ensure the loss arising from the changes in the market values of the investment portfolios is capped within an acceptable range.

The following table demonstrates the sensitivity to every 3% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve of financial assets at FVOCI.

| | 2023 | | | | 2022 | | | |
|---|---|------------------------------------|---|------------------------------------|---|------------------------------------|---|------------------------------------|
| | 3% increase | | 3% decrease | | 3% increase | | 3% decrease | |
| | Increase in profit before tax HK\$'000 | Increase in equity* HK\$'000 | Decrease in profit before tax HK\$'000 | Decrease in equity* HK\$'000 | Increase in profit before tax HK\$'000 | Increase in equity* HK\$'000 | Decrease in profit before tax HK\$'000 | Decrease in equity* HK\$'000 |
| Financial assets at fair value through other comprehensive income Global and others | - | 2 | - | (2) | - | 2 | - | (2) |
| Financial assets at fair value through profit or loss Hong Kong | 7 | - | (7) | - | 9 | - | (9) | - |

* Excluding retained profits

Notes to the Financial Statements *(continued)*

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(f) *Capital 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 2023 and 2022.

The Group monitors capital using a gearing ratio, which is calculated by dividing its total borrowings by equity attributable to equity holders of the Company.

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------------------|------------------|
| Bank loans <i>(Note 24)</i> | 465,667 | 456,111 |
| Equity attributable to equity holders of the Company | 10,612,822 | 10,680,346 |
| Gearing ratio | 4.4% | 4.3% |

Notes to the Financial Statements *(continued)*

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2023 HK\$'000 | 2022 HK\$'000 |
|---|------------------|------------------|
| Non-current assets | | |
| Fixed assets | 50 | 87 |
| Interests in subsidiaries | 4,498,449 | 4,439,474 |
| Interest in an associate | 790 | 1,036 |
| Financial assets at fair value through profit or loss | 2,850 | 3,050 |
| | 4,502,139 | 4,443,647 |
| Current assets | | |
| Debtors, prepayments and other assets | 677 | 942 |
| Cash and cash equivalents | 63,960 | 116,894 |
| | 64,637 | 117,836 |
| Current liabilities | | |
| Other payables, accruals and other liabilities | 6,889 | 6,829 |
| Amount due to a joint venture | 4,352 | 4,354 |
| Tax payable | 1,236 | 1,000 |
| | 12,477 | 12,183 |
| Net current assets | 52,160 | 105,653 |
| Total assets less current liabilities | 4,554,299 | 4,549,300 |
| Non-current liabilities | | |
| Deferred tax liabilities | 8 | 14 |
| Net assets | 4,554,291 | 4,549,286 |
| Equity | | |
| Share capital (Note 26) | 199,828 | 1,998,280 |
| Reserves (Note) | 4,354,463 | 2,551,006 |
| Total equity | 4,554,291 | 4,549,286 |

Notes to the Financial Statements *(continued)*

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

| | Share premium account HK\$'000 | Capital redemption reserve HK\$'000 | Distributable reserves HK\$'000 | Total HK\$'000 |
|--|---|--|---------------------------------------|-------------------|
| 2023 | | | | |
| At 1 January 2023 | 92,275 | 22,144 | 2,436,587 | 2,551,006 |
| Profit and total comprehensive income for the year | – | – | 5,005 | 5,005 |
| Capital Reorganisation (Note 26) | (92,275) | – | 1,890,727 | 1,798,452 |
| At 31 December 2023 | – | 22,144 | 4,332,319 | 4,354,463 |
| 2022 | | | | |
| At 1 January 2022 | 92,275 | 22,144 | 1,575,674 | 1,690,093 |
| Profit and total comprehensive income for the year | – | – | 905,875 | 905,875 |
| 2021 final dividend declared and paid to shareholders of the Company | – | – | (24,979) | (24,979) |
| 2022 interim dividend declared and paid to shareholders of the Company | – | – | (19,983) | (19,983) |
| At 31 December 2022 | 92,275 | 22,144 | 2,436,587 | 2,551,006 |

Pursuant to the Capital Reorganisation effected on 3 July 2023, the balance of the share premium account of HK\$1,890,727,000 was transferred to the contributed surplus account of the Company. The balance of the reserves arising from the Capital Reorganisation could be applied towards any capitalisation issues of the Company in future, or for making distributions to shareholders of the Company.

Distributable reserves of the Company as at 31 December 2023 comprised the contributed surplus account of HK\$2,025,056,000 (2022 — HK\$134,329,000), retained profits of HK\$1,562,288,000 (2022 — HK\$1,557,283,000) and the remaining balance arising from the Cancellation of HK\$744,975,000 (2022 — HK\$744,975,000). The distributable reserves and the capital redemption reserve are available for distributions to the shareholders of the Company.

Included in the distributable reserves of the Company as at 31 December 2023 was an amount of final dividend for the year ended 31 December 2023 of HK\$19,983,000 (2022 — Nil) proposed after the end of the reporting period.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2024.

Particulars of Principal Subsidiaries

PARTICULARS OF PRINCIPAL SUBSIDIARIES AS AT 31 DECEMBER 2023 ARE SET OUT BELOW.

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Percentage of equity attributable to the Company/Group (unless otherwise stated)# | | Principal activities |
|---|---|---|--|-----|---------------------------------------|
| Capital Place International Limited | British Virgin Islands/ Republic of the Philippines | US\$50,000 | – | 100 | Property investment |
| 成都力寶置業有限公司 (Chengdu Lippo Realty Limited) — wholly foreign-owned enterprise## | People's Republic of China | US\$3,000,000* | – | 100 | Property investment and management |
| Everwin Pacific Ltd. | British Virgin Islands | US\$1 | – | 100 | Property investment |
| Fairseas 1 Pte. Ltd. | Republic of Singapore | S\$1 | – | 100 | Owner of a motor yacht |
| Fiatsco Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment holding |
| HCL Management Limited | Hong Kong | HK\$1 | – | 100 | Management services |
| HKC Property Investment Holdings Limited | British Virgin Islands/ Hong Kong | US\$1 | 100 | 100 | Investment holding |
| HKC Realty LLC | United States of America | US\$2,250,000** | – | 100 | Property investment |
| Hong Kong Housing Loan Limited | Hong Kong | HK\$40,000,000 | 100 | 100 | Investment |
| Lippo Asia Limited | Hong Kong | HK\$120,000,000 | – | 100 | Investment holding |
| Lippo Cybergroup Limited | Hong Kong | HK\$2 | – | 100 | Investment holding |
| Lippo Securities, Inc. | Republic of the Philippines | Pesos 69,500,000 | – | 100 | Investment holding |

Particulars of Principal Subsidiaries *(continued)*

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Percentage of equity attributable to the Company/Group (unless otherwise stated) [#] | | Principal activities |
|--------------------------|---|---|--|-----|--|
| Mass Empire Limited | Hong Kong | HK\$1 | – | 100 | Investment |
| MGS Realty Holdings Ltd. | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment holding |
| One Realty Pte. Limited | Republic of Singapore | S\$2 | – | 100 | Investment holding and provision of project and management services |
| Polar Step Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment |
| Sinogain Asia Limited | British Virgin Islands | US\$1 | – | 100 | Property investment |
| Sinorite Limited | British Virgin Islands/ Hong Kong | US\$1 | 100 | 100 | Investment |
| Stargala Limited | British Virgin Islands | US\$1 | – | 100 | Property investment |
| Uchida Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment holding |
| Wealtop Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment holding |
| Winluck Asia Limited | British Virgin Islands | US\$1 | – | 100 | Property investment |
| Winluck Pacific Limited | British Virgin Islands | US\$1 | – | 100 | Property investment |

Particulars of Principal Subsidiaries *(continued)*

| Name of company | Place of incorporation/ registration and operations | Issued and fully paid ordinary share capital (unless otherwise stated) | Percentage of equity attributable to the Company/Group (unless otherwise stated) [#] | Principal activities |
|---|---|---|--|----------------------|
| Winrider Limited | British Virgin Islands/ Hong Kong | US\$1 | – 100 | Investment holding |
| 北京力寶世紀置業有限公司 (Beijing Lippo Century Realty Co., Ltd.) — Chinese-foreign cooperative joint venture enterprise ^{##} | People's Republic of China | US\$14,000,000* | – 80 [^] | Property development |

[#] based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein

[^] profit sharing ratio

^{##} type of legal entity

* paid up registered capital

** paid up capital contribution

Note:

Pesos — Philippines pesos

S\$ — Singapore dollars

US\$ — United States dollars

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of Principal Associates

PARTICULARS OF PRINCIPAL ASSOCIATES AS AT 31 DECEMBER 2023 ARE SET OUT BELOW.

| Name of company | Form of business structure | Place of incorporation and operations | Issued and fully paid ordinary share capital | Approximate percentage of equity attributable to the Group [#] | Principal activities |
|-----------------------------------|----------------------------|---------------------------------------|--|---|----------------------|
| Greenix Limited | Corporate | British Virgin Islands | US\$100,000 | 50 | Investment holding |
| Lippo Marina Collection Pte. Ltd. | Corporate | Republic of Singapore | S\$1,000,000 | 50 | Property development |
| Goldfix Pacific Ltd. | Corporate | British Virgin Islands | US\$16,286.6 | 36.84 | Investment holding |

[#] based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein

Note:

S\$ — Singapore dollars
 US\$ — United States dollars

The above table includes the associates of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all associates would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of Principal Joint Ventures

PARTICULARS OF PRINCIPAL JOINT VENTURES AS AT 31 DECEMBER 2023 ARE SET OUT BELOW.

| Name of company | Form of business structure | Place of incorporation and operations | Issued and fully paid ordinary share capital | Percentage of equity attributable to the Group (unless otherwise stated) [#] | Principal activities |
|---------------------------------|----------------------------|---------------------------------------|--|---|----------------------|
| Bell Eastern Limited | Corporate | British Virgin Islands/ Hong Kong | S\$2,000,000 | 50 | Property investment |
| Yamoo Bay Project Limited | Corporate | British Virgin Islands | US\$2 | 50 | Investment holding |
| Lippo ASM Asia Property Limited | Corporate | Cayman Islands/ Hong Kong | US\$1,200 | Note (b) | Investment holding |

[#] based on the number of issued shares carrying voting rights and represents the effective holding of the Group after non-controlling interests therein

Note:

(a) S\$ — Singapore dollars

US\$ — United States dollars

(b) Its issued share capital comprised of (i) 800 voting, non-participating class "A" shares of US\$1.00 each; (ii) 200 non-voting, participating class "B" shares of US\$1.00 each; and (iii) 200 non-voting, participating class "C" shares of US\$1.00 each. The Group was interested in 50% of all the class "A" shares in issue and 100% of all the class "B" shares in issue which entitled the Group to 50% of the voting rights and approximately 94.26% of the profit sharing of this company.

Schedule of Major Properties

(1) PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2023

| Description | Use | Approximate gross floor area (square metres) | Status | Percentage of the Group's interest |
|-------------|-----|---|--------|------------------------------------|
|-------------|-----|---|--------|------------------------------------|

People's Republic of China

| | | | | |
|---|------------|-------|--------|-----|
| 5 floors of Unit 1 Building 1, Lippo Tower 62 North Kehua Road Wuhou District Chengdu | Commercial | 5,421 | Rental | 100 |
|---|------------|-------|--------|-----|

The above property is held under medium term lease.

Overseas

| | | | | |
|---|------------|-----|--------|-----|
| 31st Floor Rufino Pacific Tower Ayala Avenue Corner Herrera Street, Makati Metropolitan Manila Republic of the Philippines | Commercial | 885 | Rental | 100 |
| 522 S. Sepulveda Boulevard Los Angeles, CA 90049 United States of America | Commercial | 925 | Rental | 100 |

The above properties are freehold.

| | | | | |
|---|-------------|-----|--------|-----|
| 21 Marina Way #26-16 Marina One Residences Singapore 018978 | Residential | 104 | Rental | 100 |
|---|-------------|-----|--------|-----|

The above property is held under long term lease.

Schedule of Major Properties *(continued)*

(2) PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2023

| Description | Use | Approximate site area <i>(square metres)</i> | Approximate gross floor area <i>(square metres)</i> | Percentage of the Group's interest |
|--|----------------------------|---|--|------------------------------------|
| People's Republic of China | | | | |
| Certain units and car parking spaces at No. 8 Ronghua Middle Road Yizhuang Beijing Economic-Technological Development Area (北京經濟技術開發區) Beijing | Commercial/ Residential | N/A | 14,043 | 80 |
| Overseas | | | | |
| 854 West Adams Boulevard Los Angeles, CA 90007 United States of America | Residential | 1,142 | 723 | 100 |

(3) PROPERTY HELD FOR DEVELOPMENT AS AT 31 DECEMBER 2023

| Description | Use | Approximate site area <i>(square metres)</i> | Approximate gross floor area <i>(square metres)</i> | Percentage of the Group's interest | Estimated completion date | Stage of development as at 31 December 2023 |
|--|-------------|---|--|------------------------------------|---------------------------|---|
| Overseas | | | | | | |
| 3 pieces of land at Minakami Heights Golf Course Residence Gunma Japan | Residential | 12,484 | N/A | 100 | N/A | Vacant land |

Summary of Financial Information

| | Year ended 31 December 2023 HK\$'000 | Year ended 31 December 2022 HK\$'000 | Year ended 31 December 2021 HK\$'000 | Nine months ended 31 December 2020 HK\$'000 | Year ended 31 March 2020 HK\$'000 |
|---|--|--|--|---|---|
| Profit/(Loss) attributable to equity holders of the Company | 157,119 | 488,768 | 670,303 | (829,662) | 424,838 |
| Total assets | 11,158,084 | 11,220,679 | 11,570,242 | 11,088,801 | 11,177,569 |
| Total liabilities | (529,092) | (522,960) | (349,419) | (401,045) | (589,281) |
| Net assets | 10,628,992 | 10,697,719 | 11,220,823 | 10,687,756 | 10,588,288 |
| Non-controlling interests | (16,170) | (17,373) | (20,162) | (20,017) | (18,391) |
| Equity attributable to equity holders of the Company | 10,612,822 | 10,680,346 | 11,200,661 | 10,667,739 | 10,569,897 |

Supplementary Financial Information

DISCLOSURE PURSUANT TO RULE 13.22 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Set out below is a pro forma combined statement of financial position of the Group's affiliates as at 31 December 2023 (being the latest practicable date for determining the relevant figures) required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

| | HK\$'000 |
|---|-------------------|
| Pro forma combined statement of financial position | |
| Intangible assets | 1,320,570 |
| Fixed assets | 4,542,844 |
| Investment properties | 31,484,708 |
| Right-of-use assets | 235,216 |
| Interests in equity-accounted investees | 9,378,963 |
| Properties held for sale | 325,068 |
| Financial assets at fair value through other comprehensive income | 868,147 |
| Financial assets at fair value through profit or loss | 23,270 |
| Debtors, prepayments and other assets | 1,305,082 |
| Cash and cash equivalents | 1,838,254 |
| Other net assets | 50,663 |
| Bank and other borrowings | (18,795,343) |
| Lease liabilities | (225,862) |
| Creditors, accruals and other liabilities | (2,054,887) |
| Tax payable | (333,323) |
| Shareholders' advance | (3,405,808) |
| Deferred tax liabilities | (723,697) |
| Non-controlling interests | (17,309,031) |
| | 8,524,834 |
| Group's attributable interest (<i>Note</i>) | 10,777,365 |

Note: The Group's attributable interest represents that portion attributable to the Group before non-controlling interests included therein.