2023
ANNUAL REPORT 年報

GOLDLION HOLDINGS LIMITED
金利來集團有限公司

Stock Code 股份代號：00533

Goldlion®

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Chairman and Chief Executive Officer:

Mr. Tsang Chi Ming, Ricky J. P.

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Ngan On Tak
Ms. Lo Wing Sze B. B. S., J. P.

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

Mr. Li Ka Fai, David (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Ngan On Tak
Ms. Lo Wing Sze B. B. S., J. P.
Mr. Ng Ming Wah, Charles

REMUNERATION COMMITTEE

Mr. Ngan On Tak (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Ms. Lo Wing Sze B. B. S., J. P.
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J. P.

NOMINATION COMMITTEE

Dr. Lau Yue Sun B.B.S. (Chairman)
Mr. Li Ka Fai, David
Mr. Ngan On Tak
Ms. Lo Wing Sze B. B. S., J. P.
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J. P.

HONORARY CHAIRMAN

Madam Wong Lei Kuan

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

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FINANCIAL HIGHLIGHTS

(HK$'000)	2023	2022	Changes
Key Financial Indicators			
Turnover	1,331,456	1,415,709	–6.0%
Gross profit	758,515	769,790	–1.5%
Operating profit	101,774	152,708	–33.4%
Profit for the year	116,164	154,462	–24.8%
Earnings per share – basic and diluted (HK cents)	11.87	15.73	–24.5%
Interim dividend per share (HK cents)	3.5	3.5	0%
Final dividend per share (HK cents)	4.0	5.0	–20.0%
Total dividend per share (HK cents)	7.5	8.5	–11.8%
Gross profit margin	57.0%	54.4%	2.6%p oints
Operating margin	7.6%	10.8%	–3.2%p oints
Net profit margin	8.7%	10.9%	–2.2%p oints
Cash generated from operations	116,091	62,960	84.4%
Cash and bank balances	1,088,801	1,176,876	–7.5%
Bank loans and overdrafts	Nil	Nil	–
Net current assets	1,818,053	1,833,141	–0.8%
Total assets	5,281,756	5,490,787	–3.8%
Total liabilities	876,992	1,043,404	–15.9%
Total equity	4,404,764	4,447,383	–1.0%
Return on total assets (note 1)	2.2%	2.8%	–0.6%p oint
Return on equity (note 2)	2.6%	3.5%	–0.9%p oint
Current ratio	5.1	4.1	+0.9
Average inventory turnover days (note 3)	158	143	+15
Average trade receivables turnover days (note 4)	33	32	+1
Average trade payables turnover days (note 5)	32	34	–2
Interest coverage ratio (note 6)	–	–	–
Gearing ratio (note 7)	–	–	–

Notes:

1. Profit for the year ÷ Total assets

2. Profit for the year ÷ Total equity

3. (Opening inventory + Closing inventory) ÷ 2 ÷ Cost of sales (excluding direct operating expenses arising from investment properties and cost of properties sold) × Number of days in the year

4. (Opening trade receivables + Closing trade receivables) ÷ 2 ÷ Turnover (excluding sales of properties) × Number of days in the year

5. (Opening trade payables for apparel business + Closing trade payables for apparel business) ÷ 2 ÷ Cost of sales (excluding direct operating expenses arising from investment properties and cost of properties sold) × Number of days in the year

6. Profit before interest and tax ÷ Interest expenses on bank loans

7. (Total lease liabilities – Cash and bank balances) ÷ Total equity

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at 31st December 2023, the Group had cash and bank balances (including restricted cash of HK$10,208,000) of approximately HK$1,088,801,000, which was HK$88,075,000 lower than that at the end of last year. During the year, the Group recorded a net cash inflow from operating activities of HK$65,944,000 and received interest income of HK$22,901,000. However, the Group also paid dividends of HK$83,167,000, increased fixed assets of HK$52,231,000 and paid principal elements of lease payments of HK$19,574,000. Besides, changes in foreign exchange rate during the year resulted in a decrease in cash and bank balances of HK$23,968,000.

As at 31st December 2023, the Group did not have any bank loans or overdrafts. The gearing ratio, defined as the ratio of total lease liabilities less cash and bank balances divided by total equity, was zero.

As at 31st December 2023, the Group's current assets and current liabilities were HK$2,265,896,000 and HK$447,843,000 respectively, with a current ratio at 5.1. Total current liabilities were 10% of the average capital and reserves attributable to owners of the Company of HK$4,426,074,000.

As at 31st December 2023, the Group did not have any material contingent liabilities and had not charged any of the Group's assets. For the "Goldlion Garden" project in Meixian, the total property development expenditure authorized but not contracted for and contracted but not provided for were HK$148,000,000 and HK$10,699,000 respectively. Besides, commitments authorized but not contracted for amounting to HK$363,000,000 in respect of an investment agreement with the Guangzhou Committee have ceased to have effect following the automatic lapse of the agreement on 13th January 2024.

As at 31st December 2023, the Group had guarantees in respect of mortgage facilities for certain property buyers amounting to HK$20,364,000 (2022: HK$77,318,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) the banks received the corresponding real estate ownership certificates as custody; or (ii) the satisfaction of mortgaged loans by the property buyers. The Board considers that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the guarantees.

The Group conducted the business mainly in the China Mainland market through its PRC subsidiaries. Most of the relevant transactions were denominated in RMB and transactions involving foreign currencies were minimal. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

During the year, the Company had repurchased 4,592,000 ordinary shares (the "Repurchased Shares") of its own shares from the market, at an aggregate consideration of approximately HK$4,879,000 (including the relevant transaction costs and expenses of HK$40,000), and an average price of HK$1.054 per share. The repurchased shares had been cancelled during the year, and the total number of issued shares of the Company right after its cancellation was 973,844,035 (2022: 978,436,035) and its issued share capital was HK$1,092,060,000 (2022: HK$1,096,939,000) as at 31st December 2023. The Directors believe that through repurchase of shares, earnings per share and asset value per share will increase, which in turn will improve the Company's capital structure and shareholders' equity.

DISTRIBUTION NETWORK IN CHINA MAINLAND

NUMBER OF GOLDLION SALES OUTLET

1-10	11-20	21-30	31-40
41-50	51-60	61-70	OVER 70


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CHAIRMAN'S STATEMENT

Mr. Tsang Chi Ming, Ricky, J.P.
Chairman and Chief Executive Officer

GROUP RESULTS

Turnover

During the year under review, the Group recorded a turnover of HK$1,331,456,000, representing an decrease of 6% from HK$1,415,709,000 of last year. Among them, the sales of properties and licensing income decreased by 33% and 17% respectively when compared with last year.

Cost of sales and gross profit

Cost of sales for the year was HK$572,941,000, including cost of inventories sold of the apparel operation of HK$443,245,000, provision for impairment of inventories of HK$24,807,000, cost of properties sold of HK$66,244,000 and direct operating expenses arising from investment properties of HK$37,684,000.

During the year, the cost of inventories sold of our apparel operation was HK$443,245,000, representing a decrease of 7% from HK$475,055,000 of last year. Gross profit margin excluding the effect of impairment of inventories was 53.3%, which was higher than the 50.8% of last year. Proportion of the sales from self-operated retail sales with higher gross profit margin was higher than last year. Provision for impairment of inventories amounting to HK$24,807,000 was recorded during the year, as against the amount of HK$33,813,000 of last year.

Due to the decrease in income from property sales, cost of properties sold amounting to HK$66,244,000 of the year was 32% lower than last year. Gross profit margin from property sales was 28.5% slightly lower than 30% of last year.

The direct operating expenses arising from investment properties for the year was HK$37,684,000, representing a decrease of approximately 2% when compared with HK$38,483,000 of last year. This was mainly due to the adoption of a Renminbi exchange rate by approximately 4% lower than last year, resulting in a reduction of related domestic expenses when translated.

CHAIRMAN’S STATEMENT

Other losses

During the year, the Group recorded fair value losses on investment properties of HK$47,066,000, representing an decrease of 18% when compared with the losses of HK$57,110,000 of last year.

Operating expenses

Selling and marketing costs mainly consist of manpower costs for sales staff, rental expenses of the sales outlets, operating costs for e-commerce sales platforms, advertising and promotion, and relevant marketing expenses and tax fees relating to the Meixian property development project. The Group recorded total selling and marketing costs of HK$447,488,000 for the year, representing an increase of 10% from HK$406,197,000 of last year. The increase was mainly due to a lower base figure resulted from the cancellation or delay of certain promotional activities caused by various anti-pandemic measures in last year.

Administrative expenses mainly consist of manpower costs for non-sales staff, depreciation, amortization and impairment charges, and other miscellaneous expenses. The Group recorded administrative expenses of HK$162,187,000 for the year, also higher than the amount of HK$153,775,000 of last year by 5%

Operating profit

Operating profit for the year amounted to HK$101,774,000, representing a decrease of approximately 33% from HK$152,708,000 of last year. The operating profit margin was approximately 8%, which was lower than the margin of 11% of last year.

Profit attributable to owners of the Company

The Group also recorded a net interest income of HK$25,659,000 for the year, higher than last year’s HK$21,432,000 by approximately 20%. The increase was mainly due to a higher average deposit interest rate during the year.

After offsetting the reversal of tax for fair value losses on investment properties amounting to HK$14,826,000 (HK$18,786,000 for last year), the income tax expense for the year was HK$11,269,000 and was lower than the amount of HK$19,678,000 of last year. Effective tax rate excluding fair value losses on investment properties and the related tax effect was 15% and was also lower than last year’s 16.6%. This is mainly due to a larger proportion of profits derived from regions with lower tax rates.

CHAIRMAN'S STATEMENT

The Group's profit attributable to owners of the Company for the year was HK$116,164,000, decreased by approximately 25% from HK$154,462,000 of last year. Profit for the year would be HK$148,404,000 if the net fair value losses after tax on investment properties of HK$32,240,000 (HK$38,324,000 for last year) were excluded, and was approximately 23% lower than the amount of HK$192,786,000 of last year.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 4.0 HK cents per share (2022: 5.0 HK cents per share) for the year ended 31st December 2023, totalling HK$38,954,000 (2022: HK$48,922,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 13th June 2024 to shareholders whose names appear on the Register of Members as at 4th June 2024.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

At the beginning of the year, various anti-epidemic measures had been withdrawn in China Mainland and the overall business environment has returned to normal. However, due to the combined effects of economic slowdown, sluggish real estate market and external adverse factors, the overall pace of recovery was slower than expected, and the market conditions were still weak. Therefore, even though the comparison base last year was relatively low, overall turnover of the apparel business for the year amounted to HK$916,390,000, decreased by approximately 2% from last year. However, owing to the use of a lower RMB exchange rate by about 4% during the year, the increase was approximately 3% in term of RMB.

In China Mainland, the Group has continued to conduct its apparel operation through wholesaling to distributors in various cities and provinces, mainly through self-operated retail shops and factory outlets located mainly in Guangzhou, Shanghai, Beijing, Chongqing, Liaoning, Jilin and Shandong, as well as through e-commerce and custom-ordering.

Owing to the Group's wholesale business model, sales to distributors during the year were generally locked by pre-orders placed earlier. Due to the decrease in orders placed, sales to distributors in RMB decreased by approximately 14%. Sales of this operation accounted for approximately 34% of the Group's apparel sales in China Mainland.

During the year, domestic retail market has returned to normal. Sales disruption affected by the pandemic in last year results in a lower base of comparison. As such, sales of our self-operated retail shops increased by approximately 39% in RMB from last year. Double digits growths were achieved by all of our major operating regions. Sales through this channel accounted for approximately 18% of the Group's apparel sales in China Mainland.

Similarly, the business of the Group's factory outlets has also rebounded significantly. The sales increased by approximately 39% in RMB as compared with last year. Sales through this channel accounted for approximately 14% of the Group's apparel sales in China Mainland.

The Group continued to operate three "Goldlion 3388" lifestyle stores in Shanghai and Guangzhou to promote the brand culture of "Goldlion" and create the new brand concept of "3388". During the year, operating loss of the project after various expenses and provisions amounted to HK$29,730,000.

At the end of the year, the Group's apparel products were sold through approximately 800 retail outlets in China Mainland, among which 134 were self-operated (including 38 factory outlets).

Similarly, the Group's e-commerce business was benefited from market recovery during the year. Due to a lower base of comparison, e-commerce sales also increased by approximately 9% in RMB from last year. During the year, the Group continued to focus on the sales of special selected items, which accounted for 95% of the e-commerce sales. Total e-commerce sales accounted for approximately 29% of the Group's apparel sales in China Mainland.

During the year under review, performance of our operation in custom-made corporate uniforms was not able to meet our expectations. Sales registered a year-on-year decrease of approximately 52% in RMB. However, such business accounts for a small proportion of the Group's domestic apparel sales.

CHAIRMAN'S STATEMENT

During the year under review, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments and casual wear in the China Mainland. Licensing fees were charged in accordance with terms in the relevant licensing agreements during the year. As a result of the downward adjustment of certain charges, the Group recorded a licensing income of HK$93,132,000 during the year, representing a decrease of approximately 17% from last year.

In addition, the Group entered into an investment agreement, which was a framework agreement in nature, with the Guangzhou Airport Economic Zone Management Committee under the Guangzhou People's Government in January 2022. Under the agreement, the Group planned to commence the construction of an integrated trading headquarter, including a logistics centre in Guangzhou Airport Economic Zone. Due to the failure to identify the project land appropriate for proceeding with the project, the agreement automatically lapsed in January 2024. The Group did not incur any expenditure on the project.

Singapore Market

Singapore markets have returned to normal from the epidemic since second half of 2022, and the market situation has improved significantly. However, consumers have become more cautious in their spending due to the increasingly unstable external environment and rising inflation. The Group's apparel sales amounted to HK$35,674,000 during the year, representing an increase of 3% as compared with HK$34,703,000 of last year.

In view of the improvement in the operating environment, the Group gradually expanded its local retail network in a step-by-step approach in the year. Two new shops were opened in second half of the year whereas one counter was closed due to the expiration of the lease during the year. At the end of the year, there were a total of 5 Goldlion shops and 6 counters in Singapore, up by 1 in number when compared with the end of last year.

Since the Group focused on the sales of new arrivals with higher profit margin during the year, gross profit margin excluding changes in impairment of inventories was 55%, which was higher than 51% of last year. Due to the increase in inventory level following the resumption of purchases, a provision for impairment of inventories during the year amounting to HK$1,019,000 was recorded, as against a reversal of provisions of HK$3,746,000 in last year.

As the local market has fully returned to normal and the number of shops has increased during the year, overall expenses during the year amounted to HK$21,012,000, which was higher than HK$18,356,000 of last year.

Mainly due to changes in the provision for impairment of inventories and rebound in expenses, the Group's Singapore operation recorded a loss of HK$2,754,000 during the year, as compared with a profit of HK$2,686,000 last year.

Property Investment and Development

Except for the transfer of certain newly completed commercial units of "Goldlion Garden" in Meixian to investment properties, the Group's investment property portfolio had no significant changes during the year when compared with the end of last year. Value of investment properties recognized by the Group after independent professional valuations amounted to HK$2,686,658,000 at the end of the year, of which property holdings in China Mainland, Hong Kong and Singapore were approximately HK$1,455,803,000, HK$1,181,000,000 and HK$49,855,000 respectively. Because of the decreases in valuation amounts and RMB exchange rate, total value of investment properties in Hong Kong dollar was lower than the amount of HK$2,775,582,000 at the end of last year. The Group's fair value losses on investment properties as based on the same independent professional valuations amounted to HK$47,066,000, whereas the fair value losses were HK$57,110,000 for last year. The losses mainly came from the property holding in China Mainland and especially the Goldlion Digital Network Centre in Guangzhou.

During the year, the Group's rental income and building management fees amounted to HK$151,489,000 and HK$42,150,000, respectively, the total of which represented a decrease of approximately 1% over last year. The decrease is mainly due to a lower RMB exchange rate.

In Guangzhou, rental income and building management fees in RMB generated from Goldlion Digital Network Centre were approximately 2% higher than that of last year. The overall occupancy rate is approximately 83%, which was higher than the 81% of last year. However, the leasing situation still needs improvement. With the premises in Yuan Village in Guangzhou completely leased out during the year, rental income and building management fees increased by approximately 6% in RMB.

CHAIRMAN'S STATEMENT

In Shenyang, leasing of Goldlion Commercial Building continued to be stable. Total rental income and building management fees in RMB increased by 3% from last year.

As certain units were vacant in the second half of the year, occupancy rate of the Group's Goldlion Holdings Centre in Shatin was 94.3% during the year. Overall rental income and building management fees also decreased by approximately 4%. Besides, the Group's property at No. 3 Yuk Yat Street, To Kwa Wan had been completely leased out and overall income rose year on year by approximately 4%.

A total of 6 high-rise buildings in the second phase of the Group's development project "Goldlion Garden" in Meixian were completed by the end of the year. Together with certain units of the first phase, a total of 99 residential units were delivered during the year. Income from property sales recognized amounted to HK$92,621,000, decreased by approximately 33% from last year. Sales income in last year included the delivery of previous pre-sale units of the first phase. Gross profit from property sales amounted to HK$26,377,000, decreased by HK$15,363,000 from last year. Currently, there are approximately 670 residential units and 47 low-rise units to be sold in the project.

PROSPECTS

The Group expects that the weak domestic economy will be difficult to improve in the short term. Operating environment in 2024 will remain very difficult and the outlook is not optimistic.

As for the apparel business in China Mainland, the Group will continue to strengthen self-operated retailing capabilities, improve product quality and optimize various sales channels including distributors. In its pre-order of 2024 fall and winter collections in sales fair held in the end of February 2024, initial response improved from last year and it is expected that the orders will be delivered to distributors in the second half of 2024. The Group will also continue to promote the branding concept of "Goldlion 3388" lifestyle stores and construct a brand museum in Meizhou.

In respect of the apparel business in Singapore, the Group will continue to improve its local operations, strengthen its sales network and improve product quality and functionality to ensure a growth of sales and profitability.

To promote environmental protection and save electricity expenses, photovoltaic facilities had been installed in the Group's Meizhou factory and Guangzhou Yuan Village property. In addition, the Group has established a new energy company engaging in photovoltaic business in China Mainland during the year. It is expected that the business of the new energy company will commence in 2024.

In respect of property investment business, the Group will continue to improve the leasing of Goldlion Digital Network Centre and other properties by reducing its vacancies and exploring its leasing potential. Despite the current downturn in the domestic property market, the Group will strive to sell the remaining units of "Goldlion Garden" in Meixian based on actual market conditions.

ACKNOWLEDGEMENT

On behalf on the Board, I would like to extend my gratitude to our staff for their dedication and continuous support.

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Hong Kong, 19th March 2024


WHITEHALL
SW1

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

INVESTMENT PROPERTIES

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 1st to 6th floors, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property, with a gross floor area of 23,077 sq.m., comprises the 1st, 2nd, 3rd, 4th, 5th and 6th floors of a 8-storey factory/ warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2. No. 3 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a modified 12-storey building completed in 1971 and completely refurbished in 2019. The property has a total gross floor area of 7,028 sq.m..	Kowloon Inland Lot No. 9676	Industrial/ Office	The property is held for a term of 75 years from 17th November 1969 renewable for a further term of 75 years.
3. Unit A on 5th floor, Unit D on 6th floor, Units A and B on 7th floor, Units A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 13-33 Wang Lung Street, Tsuen Wan, New Territories	The property comprises units on the 5th, 6th and 7th floor and the 14th floor together with a car parking space on the ground floor of a 24-storey industrial building completed in 1979. The property has a total gross floor area of 3,238 sq.m..	81/1024th shares of and in Tsuen Wan Town Lot No. 134	Industrial	The property is held for a term of 99 years from 1st July 1898 and renewed to 30th June 2047.
4. Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 530 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years from 23rd March 1970 and renewable for a further term of 75 years.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland				
5. Units 01 to 03, Units 06 to 07 and Units 10 to 12 on Level 1, Levels 2 to 3, Units 01 to 02 and Units 5 to 12 on Level 4, Level 5, Level 7, Units 01 to 05 and Units 09 to 10 on Level 8, Units 01 to 02 and Units 08 to 12 on Level 9, Unit 01 and Units 03 to 12 on Level 10, Level 11, Unit 01 and Units 03 to 12 on Level 12, Level 13, Units 02 to 12 on Level 14, Level 15, Unit 01 and Units 03 to 12 on Level 16, Units 07 to 12 on Level 17, Units 03 to 12 on Level 18, Levels 19 to 28, the car parking spaces in the basement levels 1 to 3 and the mezzanine level of the building, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property is a 29-storey plus 4 basements commercial building built on a site of 6,670 sq.m.. The gross floor area of the commercial and office portions is approximately 40,945 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office and car parking uses commencing from 27th January 1997.
6. Shenyang Goldlion Commercial Building, 190 Zhong Jie Lu, Shen He District, Shenyang, Liaoning Province	The property is a 7-storey commercial building built on a site of 5,379 sq.m.. The 2 phases were completed in 1991 and 1993 respectively and was completely refurbished in 2002. The property has a gross floor area of 16,367 sq.m..	–	Commercial	The land use right is held for a term of 40 years for commercial use commencing from 23rd April 2008.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
7. Units 07 and 08 on Level 26 and Unit 07 on Level 28, 577 Tianhe North Road, Units 07 and 08 on Level 25, Unit 07 on Level 27 and Unit 07 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 7 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 659 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
8. Units C11, C12, C18-101, C18-102A, C18-102B, C20-101, D01, D26 and E17 on Level 1, Units C18, C19, C20-101, D27, D30, E25 and E26 on Level 2, and Unit C18 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Shi, Guangdong Province	The property comprises units in a commercial podium built in 2008. The property has a gross floor area of 4,432 sq.m..	140209020490 and 140209020608-1	Commercial	The land use right is held for a term of 40 years for commercial use.
9. Units 05 and 06 on Level 1, Block B3, Yuanda Shopping Plaza, 1333 Qunli Disi Da Dao, Daoli District, Harbin, Heilongjiang Province	The property comprises 2 adjoining units located on Level 1 of Block B3 of a complex built in 2013. The property has a gross floor area of 228 sq.m..	–	Commercial	The land use right is held for commercial use up to 29th January 2051.
10. Unit A-03 on Levels 1 and 2, Zone A-2 Dongcheng Centre, Dongcheng District, Dongguan, Guangdong Province	The property comprises a shop unit located on Level 1 and Level 2 of a complex built in 2006. The property has a gross floor area of 534 sq.m..	–	Commercial	The land use right is held for commercial use up to 31st December 2062.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
11. Level 1 (part), Levels 2 to 6, Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises the 1st (part), 2nd to 6th levels of a 6-storey factory building built in 1998. The property has a gross floor area of 12,246 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
12. Nursery school of Goldlion Garden, Sankui Village, Fuda HTZ, Meixian District, Meizhou Shi, Guangdong Province	The property comprises 3-storey building for nursery school and be completed in the end of 2024. The building has a gross floor area of 2,697 sq.m..	242102020250	Under Construction	The land use right is held for residential use up to 28th February 2084.
13. Units 06 to 08, Unit 13 and Units 15 to 21 on Level 1 and Unit 10 on Level 3, Commercial portion of Goldlion Garden, Sankui Village, Fuda HTZ, Meixian District, Meizhou Shi, Guangdong Province	The property comprises 12 commercial units in a 3-storey commercial building (including 65 commercial units and 60 office units) built in 2022. The property has a gross floor area of 1,396 sq.m..	242102020251	Commercial/ Office	The land use right is held for commercial use up to 28th February 2054.
Singapore				
14. Units 01 to 03 on Level 4, Goldlion Building, 161 Kampong Ampat	The property comprises 3 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 1,262 sq.m..	Mukim 24 Lot U20460A, U20461K, U20462N	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

PROPERTIES HELD FOR OWN USE

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 7th floor and the car parking spaces on the ground floor, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property comprises the 7th floor and the car parking spaces of a 8-storey factory/warehouse. The building was completed in 1989. The gross floor area of the office portions is approximately 4,277 sq.m..	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
China Mainland				
2. Unit 07 on Level 24, Unit 08 on Level 28, 577 Tianhe North Road, Unit 07 on Level 26 and Unit 08 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 4 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 373 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
3. Units 101 to 106 on Level 1, Block B, Qiaoxinyuan, Yandu Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises 6 domestic units of a 8-storey residential building built in 1995. The property has a gross floor area of 606 sq.m..	–	Residential	The land use right is held for a term of 70 years from 6th January 2000.
4. Units 04 to 05, Units 08 and 09 on Level 1, Units 03 to 04 on Level 4, Level 6, Units 06 to 07 and Units 11 to 12 on Level 8, Units 03 to 07 on Level 9, Level 29 and Unit W07 in the mezzanine level of basement, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises several units of a 29-storey plus 4 basements commercial building. The property has a gross floor area of 6,692 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office use commencing from 27th January 1997.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
5. Level 1 (part), Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises part of the 1st level of a 6-storey factory building built in 1998. The property has a gross floor area of 2,294 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
6. Unit 03 on Level 10, Glorious City Garden, 852 Dongfeng East Road, Yue Xiu District, Guangzhou, Guangdong Province	The property comprises a residential unit in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 158 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th July 1998.
7. Block A, B, C and D, Goldlion Industrial Centre, 8 Jiangnan Binfang Da Dao, Meizhou Shi, Guangdong Province	The property comprises 3 factory buildings (Block A, B and D) and an integrated building (Block C) which were completed in 1995 to 2006 respectively. The property has a gross floor area of 38,623 sq.m..	140209020608	Industrial	The land use right is held for a term up to 26th August 2043.
8. Units D1-601 and 602, Units D2-501 and 601, and car parking spaces D2-103 and 107, Goldlion City Garden, and Unit C20 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Shi, Guangdong Province	The property comprises residential and commercial units built in 2008. The property has a gross floor area of 1,333 sq.m..	140209020490 and 140209020608-1	Residential/ Commercial	The land use right is held for a term of 70 years for residential use and 40 years for commercial use.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
9. Recreation Center of Goldlion Garden, Sankui Village, Fuda HTZ, Meixian District, Meizhou Shi, Guangdong Province	The property comprises 1 basement and 1 floor recreation center built in 2022. The property has a gross floor area of 1,717 sq.m..	242102020250	Residential	The land use right is held for residential use up to 28th February 2084.
10. Unit 16 on Level 20, Building B, Far East International Plaza, 317 Xian Xia Road, Changning District, Shanghai	The property comprises an office unit of a 31-storey plus 2 basements commercial building completed in 1999. The property has a gross floor area of 174 sq.m..	–	Office	The land use right is held for a term commencing on 6th March 2002 and expiring on 19th August 2045.
11. Unit 17 on Level 11, Bright China Chang An Building, 7 Jianguomenni Avenue, Dongcheng District, Beijing	The property comprises an office unit of a 17-storey plus 4 basements commercial building completed in 1996. The property has a gross floor area of 266 sq.m..	–	Office	The land use right is held for a term up to 1st December 2043.
12. Unit 5 on Level 43, 28 Mingquan Road, Yuzhong District, Chongqing	The property comprises an office unit of a 58-storey commercial building. The property has a gross floor area of 225 sq.m..	–	Office	The land use right is held for a term up to 20th December 2044.
Singapore				
13. Units 01 to 03 on Level 2, Goldlion Building, 161 Kampong Ampat	The property comprises 3 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 1,261 sq.m..	Mukim 24 Lot U20469P, U20470W, U20471V	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2023

COMPLETED PROPERTIES AND PROPERTY UNDER DEVELOPMENT

Property	Description	Lot Number	Type	Group Interest
China Mainland				
Goldlion Garden, Sankui Village, Fuda HTZ, Meixian District, Meizhou Shi, Guangdong Province	The project includes two phases and a total of eleven high-rise buildings with 976 residential units, 47 low-rise units, 3-storey commercial building, carparks as well as ancillary facilities are provided. First phase of the project (including 524 residential units in six high-rise buildings) has been completed in September 2022 while second phase is expected to be completed by the mid of 2024.	242102020250 and 242102020251	Residential/ Commercial	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This environmental, social and governance ("ESG") report provides an annual update on the Group's overall ESG performance and its approaches, commitment, and strategies in respect of environmental protection, social responsibility, and operating governance.

Reporting Scope and Boundary

Unless otherwise stated, this report covers the Group's ESG management and performance of our core activities including our apparel manufacturing and distribution, property investment and development, and office operations in the People's Republic of China (the "PRC"), Hong Kong SAR and Singapore, from 1st January 2023 to 31st December 2023 (the "Reporting Period")

Reporting Standard

Our ESG Report for the financial year of 2023 is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide"), fulfilling the "comply or explain" provisions set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

Reporting Principle

When preparing the report content, the Group has adhered to the four reporting principles stated in the ESG Reporting Guide, namely materiality, quantitative, balance, and consistency.

- **Materiality:** Stakeholder engagement and materiality assessment were conducted to identify and prioritize material ESG issues in our business operations.
- **Quantitative:** Quantitative metrics are disclosed in this report to keep track of and evaluate our ESG performance.
- **Balance:** This report provides an unbiased assessment on the Group's ESG performance by highlighting both our achievements and areas for improvement on ESG management.
- **Consistency:** Consistent methodologies were adopted for year-on-year comparisons of the Group's ESG performance, unless otherwise specified.

Board Approval

This report was reviewed and approved by the Board of Directors of the Company (the "Board") on 19th March 2024.

Feedback

We highly appreciate your feedback, which will help us to improve our overall ESG performance. Please feel free to contact us via our communication channel at contact@goldlion.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

The Board assumes full responsibility for the Group's ESG matters. The Board recognizes that ESG performance is crucial to long-term business success and the well-being of our stakeholders. To ensure effective management, we have established a comprehensive governance framework to drive our strategic development and sustainable business growth.

Each year, the material topics are reviewed and evaluated by the Group with the consideration on both micro and macro factors. Critical ESG topics are integrated into the Group's strategies and sustainable development initiatives to address the concerns and expectations of our stakeholders including employees, shareholders, customers, and suppliers, local communities, and the environment. We understand the importance of considering these diverse perspectives and strive to create positive long-term impacts for the development of Community.

The Group's ESG Working Group ("the Working Group") is chaired by the Chief Financial Officer ("CFO") and comprises senior management representatives from various departments such as Finance, Internal Audit, Human Resources, and Production. This diverse Working Group can effectively provide a wide range of expertise and perspectives, enhancing the Group's decision-making process. The Working Group is responsible for holding annual meetings and providing written reports to the board of directors on their decisions or recommendations, as well as offering advice and assistance on ESG matters. The Working Group has sufficient resources to fulfil its responsibilities and seeks advice or assistance from external consultants or experts with board approval.

Further to that, the Working Group is in charge of monitoring the implementation of our ESG initiatives and evaluating the effectiveness of our strategies and policies. We strive to ensure that we are on track to achieve our ESG targets and continually improve our performance. In addition to its core responsibilities, the Working Group keeps abreast of the emerging ESG trends, ESG-related risks and market opportunities. It also remains vigilant in ensuring compliance with ESG-related laws and regulatory requirements, enabling us to maintain the highest standards of transparency and accountability. Furthermore, the Working Group takes an active role in reviewing ESG-related training and ongoing professional development for directors and senior executives. This ensures that our leadership possesses the necessary skills and competencies to oversee strategies designed to respond effectively to climate-related risks and opportunities.

In light of the increasing challenges presented by climate change, the Group has undertaken an assessment of its climate resilience during the Reporting Period to identify improvements areas. Based on the results of the gap analysis, we have developed a four-year roadmap that outlines a series of progressive measures aimed at addressing the identified gaps. These measures encompass various aspects, including the roles and responsibilities of management, decision-making processes, and the incorporation of climate-related opportunities and risks into our practices and report disclosures. Through the implementation of this roadmap, we aim to enhance our climate-related efforts and ensure that we are effectively adapting to and mitigating the impacts of climate change.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ETHICAL BUSINESS OPERATION

The Group firmly believes that upholding ethical business practices is crucial to our long-term success. We adhere to all applicable laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong) and the Anti-Money Laundering Law of the PRC, relating to bribery, extortion, fraud, and money laundering. Internal policies have also been implemented to foster an ethical work culture and facilitate effective management.

We are fully committed to operating at the highest standards of business ethics and do not tolerate any form of corruption. To fulfill this commitment, our Anti-bribery Policy has provided guidance on handling gifts from business partners. Additionally, as part of our Conflict-of-Interest Policy, we inform our employees and their family members of our expectations to avoid incidents that conflict with the Group's interests.

To ensure a transparent and accountable environment, our Whistleblowing Policy has provided guidance to our employees to express their concerns regarding any form of misconduct or malpractice. This policy requires the Group to conduct formal and thorough investigations of all reported cases and handle the identity of whistleblowers in strict confidentiality without the fear of retaliation. Whistleblowers can report incidents either in person or through written forms and are encouraged to provide as much detail as possible and with evidence where applicable. Reported cases are initially handled by the Group's Internal Audit Function and subsequently reviewed and discussed by the Audit Committee.

Our board members and staff in Hong Kong and PRC receive anti-corruption training on an annual basis to ensure they are aware of the Group' santi-bribery policy, conflict of interest policy, and whistleblowing policy. In September, the Group has distributed anti-corruption and ethics training materials obtained from the Independent Commissioner Against Corruption (" ICAC") to our employees in Hong Kong. By equipping our employees with ethical knowledge, we strive to maintain a culture of transparency and accountability. As part of our anti-corruption efforts, we have organised a face-to-face seminar conducted by ICAC at our Hong Kong office. This seminar was specifically tailored for our board members and senior management to gain valuable insights into anti-corruption practices. Besides, our PRC staff also undergo internal online training courses dedicated to anti-corruption laws. These courses are designed to enhance their vigilance towards corruption, conflict of interest and integrity issues.

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

STAKEHOLDER ENGAGEMENT

The Group recognizes that ESG issues have a profound impact not only on our internal operations but also on a broader spectrum of stakeholders. We care about our stakeholders and prioritize regular communication to gain a comprehensive understanding of their concerns and expectations. We actively seek and gather constructive feedback from both internal and external stakeholders. In formulating our ESG policies and management approach, we take into account their diverse perspectives.

Stakeholder Groups	Key Engagement Channels
Employees and labour union	• Internal meetings • Interviews • Internal circulars • Staff performance appraisal reviews
Shareholders and investors	• Annual general meetings • Financial reports • Corporate website • Press releases
Customers	• Customer service hotline • Daily personal contact • Corporate website • Third-party e-commerce platforms
Media	• Press releases • Corporate website
Suppliers and business partners	• Tendering processes • Meetings and conferences • Site visits
Community	• Voluntary services
Government and regulatory body	• Public consultations • Conferences, forums and seminars

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

Through stakeholder engagement and materiality assessment, the Group formulates appropriate strategies with a stronger focus on ESG aspects that are relevant to its business. During the year, the Group has reviewed the list of material issues that are relevant to its business and stakeholders by keeping abreast of the latest regulatory development, market trends, our internal policies, and development roadmaps. Considering the emerging climate-related risks and opportunities, the Group has added the topic " Climate Change" to the list of material ESG issues this year and the results were reviewed and endorsed by the Board. The Group recognizes that addressing climate change is not only essential for long-term environmental sustainability but also vital for maintaining competitiveness and resilience in a rapidly changing business landscape.

The material ESG issues are listed below:

ESG Aspects	Material ESG Issues
Operating practices	• Product quality and safety • Customer service and satisfaction • Advertisement and labelling • Customer data protection and privacy • Ethical business compliance • Intellectual property rights • Anti-corruption • Product responsibility compliance • Supply chain management • Sustainable procurement practice
Employment practices	• Occupational health and safety • Training and development • Equal opportunity, diversity and non-discrimination • Employment relations • Employment compliance • Labor standards
The Environment	• Environmental compliance • Employees' environmental awareness • Water management • Climate change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VALUING OUR CUSTOMER

Product Responsibility

We are dedicated to upholding the quality of our products and services by fully complying with all applicable laws and regulations. We prioritize adherence to regulations covering various aspects, including product and service quality, advertising and labelling, and customer data privacy. Our Meizhou Factory has obtained the ISO 9001: 2015 Quality Management Systems certification for the production of shirts and suits. It reflects that our products are developed with qualities that meet our high standards of safety and customer satisfaction. Guided by our Product Responsibility Policy, we take promptly actions to address any complaints, product recalls, and withdrawals. We actively collect and manage customer feedback regularly to ensure that all complaints and relevant concerns have been appropriately raised. In line with our Advertising Policy, we ensure that all confidentiality clauses in contracts and copyright requirements have been met. Additionally, our Customer Data Privacy guidelines limits access to confidential customer information except for the designated and authorized personnel. We obtain customer consent before utilizing their contact information. Any outdated customer data is permanently deleted from our data management system to maintain data accuracy and privacy.

During the Reporting Period, we observed no material non-compliance cases regarding laws and regulations relating to health and safety, advertising, labelling, and privacy matters relating to our products and services.

Building Premium Homes

Our development project "Goldlion Garden" in Meixian is still under construction. To maintain the standard of quality, we have partnered with experienced contractors specialising in property development to design and develop the project. We are committed to maintaining the highest standard of safety and quality, and we carry out regular supervision of the construction works and stringent quality assessment on the building materials. Besides, our internal engineers stationed on-site to monitor the progress and conduct acceptance tests. In addition to governmental quality monitoring unit, we also engage third party material testing laboratory to conduct quality test on our building materials. To effectively monitor the project progress, we require regular progress report from the project contractor. Spot checks are conducted by our internal project quality control team formed by building and engineering professionals. In instances where contractors fail to meet our stringent quality benchmarks, we issue written improvement requests, outlining the necessary enhancements. Meanwhile, our internal professionals provide technical support, ensuring that the contractors possess the technical proficiency required to meet our exceptional quality standards. By employing these measures, we are steadfast in our commitment to delivering premium homes of unparalleled quality.

Excelling in Apparel Production and Sales

The majority of apparel products we sell are manufactured by our suppliers. To ensure product quality, we adhere to national and industry requirements in the establishment of our quality management system. We have developed a comprehensive set of internal technical standards and requirements. For instance, most types of products from suppliers are subject to random inspection while special products such as leather goods require 100% inspection. Inspection points and standards are also clearly defined.

For our manufactured products, we carefully design and standardize manufacturing and inspection procedure to ensure our products can meet customers' satisfaction. For example, one single piece of suit jacket is required to meet over 50 items of quality standards, which include compliance to the national health and safety standard on the use of chemicals such as GB 18401 China's National General Safety Technical Code for Textile Products.

A set of internal guidelines on the operation of sales outlets, e-commerce sales platforms, as well as labelling, advertising, and promotion is in place to ensure our marketing and selling activities meet legal requirements. All marketing materials are required to undergo approval procedure before publication.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VALUING OUR CUSTOMER *(continued)*

Excelling in Apparel Production and Sales *(continued)*

We offer various communication channels, including email, hotline, and social media platforms for our customers. E-commerce customers can also contact us through a 24-hour online service centre. We also conduct customer satisfaction survey and phone interviews regularly to collect customers' feedback on our product quality.

Regarding customers' complaints and requests for product return, we have established procedural standards. Different sets of product recall procedure are formulated for distributor, wholesaler, retailer, and end customers from our self-operated e-commerce platforms and retail outlets. Regardless of the customer type, we process all complaints from customers and tenants within 72 hours. We also ensure that they are well informed about their rights on product return. General procedure includes after-sales services team communicating with the customer, inspection team confirming the product's defect, after-sales services team informing customer about the successful application of product recall, and manufacturing team providing new product to be delivered to the customer. According to our policies, customers are to return products with unmet expectations within 7 days of purchase. In the case of product quality issues, customers are entitled to return products within 30 days upon the purchase. Our team conducts inspections to ensure that the returned goods meet the standards outlined in our return policy.

During the Reporting Period, there were 1,075 e-commerce operation related complaint cases (around 0.14% of the total number of transactions) received while no products sold or shipped were subject to recalls for safety and health reasons.

Building Trust with Tenants

The health and safety of our tenants is our priority. We arrange periodic safety and potential hazards inspections by qualified engineers to maintain high standards of health and safety. Although the peak of the COVID-19 pandemic has passed, our Property Management Department continued to maintain adequate level of hygiene and preventive measures to provide a safe environment for our tenants. These measures included maintaining a high level of cleanliness and disinfection of the building's common areas and air conditioning systems, requiring frontline property management staff to wear masks, providing disinfection supplies, and enforcing immediate reporting of employee illnesses. We also kept tenants informed about health information.

Besides, we proactively communicated with our tenants to understand their challenges and assist them in swiftly recovering in the difficult economic environment. For instance, we offered rent reductions or deferred payment options to help alleviate their financial burden. Additionally, we supported mall tenants by organising promotional activities and offering discounts. Through partnerships with tenants, we introduced consumer discount cards and parking privileges, successfully attracting a larger customer base. We foster collaboration among tenants, such as facilitating promotions and discounts between bank and restaurant tenants, creating a mutually beneficial environment.

Furthermore, we helped tenants with improving their operations. For example, we offered venues for multiple tenants to hold flash sales. In Shenyang, we have enhanced the food and beverage brands to diversify the tenant mix and attract more foot traffic, resulting in a more youthful atmosphere within the mall. By doing so, we have strengthened mutual trust and improved landlord-tenant relationship.

We value tenants' feedback for continuous improvement. Our property management contractor conducted satisfaction survey on an annual basis to understand tenants' experience and expectations. Tenants can also write letters or emails, make phone calls, directly speak to, or communicate through mobile phone applications with our property management contractor in charge of handling tenants' complaint in a timely manner.

During the Reporting Period, no material complaint was received from tenants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VALUING OUR CUSTOMER *(continued)*

Upholding Intellectual Property Rights

Intellectual property is crucial to us. Recognizing the potential risk of intellectual property infringement, we have implemented a comprehensive set of measures to safeguard our intellectual property rights as well as those of our industry peers. To effectively communicate our requirements regarding the use of our trademarks and copyrights, we have incorporated specific clauses and confidentiality provisions in our contracts. For instance, we protect our intellectual properties through trademark opposition, legal proceedings against trademark infringement and strong action against counterfeits. To prevent copyright infringement, we conduct regular compliance audits on marketing and promotional materials. This helps us maintain strict control over the usage of copyrighted content and ensures that all promotional materials are complied with applicable laws and regulations. Furthermore, our employees are strictly prohibited from installing unauthorized or pirated software during operational activities. By enforcing the policy, we uphold our commitment to intellectual property rights and demonstrate our dedication to operating in an ethical and legal manner.

Protecting Customer Data Privacy

Safeguarding the data privacy of customers is of paramount importance to our business operation as we process customer data to deliver quality products and services to our customers. We adhere to data privacy laws and regulations in the jurisdictions where we operate including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong), Law of the PRC on the Protection of the Rights and Interests of Consumers and Personal Data Protection Act 2012 of the Republic of Singapore.

We have implemented stringent internal controls on handling and managing our customer's data. The data is strictly confined to the intended operational use. We use collected customer information only for the purposes of which have been notified to the customers. Access to the data system and confidential customer information is restricted to authorized personnel only. We keep customer data only for as long as necessary to fulfil the purposes of information collection and destroy the data when it is no longer needed for the purpose of which it was obtained. Outdated customer data are securely destructed after use. We also require our employees to sign non-disclosure agreements upon joining the company and return all confidential information when they resign. Furthermore, we have implemented encryption measures across all our e-commerce platforms, enhancing the security of customer data during online transactions and interactions.

By implementing these measures, we strive to maintain the highest standards of data privacy and security, demonstrating our commitment to safeguarding our customers information and complying with applicable laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MANAGING OUR SUPPLY CHAIN

Overview of Our Supply Chain

We work with a stable network of experienced and specialized suppliers to ensure the excellent craftsmanship and optimum availability of our products. During the Reporting Period, we worked with 71 suppliers, of which 65 suppliers are from China Mainland and Hong Kong, and 6 suppliers from Southeast Asia.

Engaging Our Suppliers

We are putting considerable efforts on reinventing sustainable procurement opportunities, aligned with our Procurement Policy. To minimize the environmental impact, we have established Sustainable Procurement policy, Sub-contracting Policy, Green Procurement Policy, and Supplier Code of Conduct for our PRC operations. These policies provide standards and guidelines for procurement that are crucial to evaluating costs and establishing supply chain continuity plans. We also ensure our suppliers comply with all applicable laws relating to product, service quality, safety, business ethics, labor practices, environment, anti-corruption, data protection, and intellectual property during the selection and engagement process. Under the Green Procurement Policy, we ensure our garment and upstream suppliers comply with the National Safety Production Standards and other relevant environmental protection policies. All suppliers are required to have recognized certifications and standards to eco-friendly procurement practices for the purpose of filing and verifying compliance. We regularly review our procurement practices and communicate areas of improvement with all relevant stakeholders. We ensure that all purchasing clauses of the supply chain comply with national laws and regulations. In cases of subcontracting, we require relevant documentation and approvals to maintain the traceability of our supply chain.

Evaluating Our Suppliers

We recognize the environmental and social risks associated with our sourcing activities. They can pose negative consequences to the natural environmental and our stakeholders such as our employees, customers, and neighbouring communities. To minimize these risks, we monitor and evaluate suppliers' performance on a regular basis to ensure they adhere to our Supplier Code of Conduct.

Under our Supplier Code of Conduct, suppliers are required to uphold integrity and operate in accordance with legal and regulatory requirements. In the cases of contract breaches, commercial bribery, significant illegal activities, providing counterfeit products, or causing major quality incidents, the contracts will be terminated. We also consider information from sources like bank credit reports, financial condition reports, and quality defect reports to uncover any negative records. Our commitment to ethical and compliant business practices ensures that we maintain trustworthy and reliable relationships with our suppliers.

Our supplier assessment is carried out in various forms including site visits, interviews, and a supplier assessment form. The supplier performance evaluation process is supported by documents such as safety certificates, product quality reports, environmental protection certificates, and bank credit reports. Any violations to the Group's standards and policies will be taken seriously and may result in permanent partnership termination.

Promoting Environmentally Preferable Products and Services

The Group-level sustainable procurement policy provides clear guideline for the procurement and merchandizing team to incorporate environmental concerns during our search for high quality products and services at competitive prices. They are encouraged to select products that have low embodied carbon, are sourced locally, produced with renewable energy, are durable and can be repaired, contain materials which have high recyclability, minimize the use of virgin material in the product, minimize energy and/or water consumption, minimize or eliminate packaging and replace disposable/single-use items with reusable or recyclable ones. In addition, PRC suppliers are required to comply with the national environmental policies and provide relevant compliance certificates for verification.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR EMPLOYEES

Protecting the Rights of Employee

We value our employees and are fully committed to supporting and fostering inclusivity and equality in the workplace. We strictly comply with all applicable employment laws and regulations of the jurisdictions we operate in including but not limited to the Employment Ordinance (Cap. 57 of the laws of Hong Kong), Labor Law of the PRC, and Employment Act 1968 of the Republic of Singapore. Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare are stipulated in our Employee Handbook.

We strive to cultivate an inclusive work culture and have zero tolerance of any form of discrimination based on race, gender, disabilities, religion, sexual orientation, marital status, and pregnancy. Our employees are provided with fair, competitive, and rewarding remuneration packages with comprehensive fringe benefits to our employees with reference to regular market research and "pay-for-performance" principles. We offer comprehensive fringe benefits including apparel sponsorship for our Mainland executive and key management personnel, parking discount, birthday bonus, festival gifts, and subsidies for children's education.

Throughout the Reporting Period, we have conducted various staff engagement activities. These included Chinese New Year Festival condolences with rice and oil distribution to approximately 950 employees. We have also organized a fun sports day for about 400 employees, fostering team spirit. Festive occasions such as Qingming Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival, and National Day were celebrated by distributing appropriate welfare items to around 950 to 1,010 employees. We also provided refreshing drinks and desserts during the summer, and organized walking, badminton, and fitness activities for interested employees. These initiatives aimed to create a positive work environment and strengthen employee bonds.

The Group complies with the local regulations regarding retirement benefits, including the Mandatory Provident Fund Scheme in Hong Kong, the Five Social Insurance, One Housing Fund in China Mainland, and Central Provident Fund in Singapore. During the Reporting Period, we contributed HK$42,815,000 to these funds for our employees.

To motivate and reward high-performing employees, we offer attractive career advancement opportunities. Additionally, we have implemented an Internal Referral Reward Policy to improve our recruitment efficiency. We provide a range of channels allowing our employees to voice out their opinions, including monthly meetings, online and offline feedback forms.

Our recruitment personnel verify the identification documents of candidates, ensuring compliance with age and eligibility requirements for employment. All personal information and credentials of job applicants are securely stored in a controlled-access data system. Data of unsuccessful job applicants will only be used for subsequent recruitment exercises or directly related purposes.

The Group prohibits all forms of forced and child labor in accordance with applicable laws and regulations including but not limited to Employment Ordinance (Cap. 57 of the laws of Hong Kong), Labor Law and Special Protection for Female and Juvenile Workers and Provisions on the Prohibition against the Use of Child Labor of the PRC as well as the Singapore Employment Act implemented by the Ministry of Manpower ("MOM") and the Tripartite Alliance for Fair and Progressive Employment Practices ("TAFEP"). We understand the severity of forced labor and take measures to prevent it. We ensure that all our employees work voluntarily, and we carefully monitor employees' overtime work according to the law. Additionally, we have implemented child labor prohibition policies and remedial procedures to prevent the use of child labor. During recruitment, our human resources department have a rigorous employment screening process which carefully examines the candidates and screens out candidates that are below the legal working age (i.e. under aged 18).

During the Reporting Period, there were no non-compliance cases of laws and regulations relating to child or forced labor.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR EMPLOYEES *(continued)*

Protecting the Rights of Employee *(continued)*

As of 31st December 2023, we employed a total of 1,771 employees with a total of 217 other workers hired by our contractors to perform work across our business operations.

		2023				2022			
Employee Profile	**Unit**	**Goldlion**		**Contractors**		**Goldlion**		**Contractors**	
Composition of employees by gender									
Female	number (%)	1,309	(74%)	76	(35%)	1,254	(74%)	83	(33%)
Male	number (%)	462	(26%)	141	(65%)	445	(26%)	168	(67%)
Composition of employees by employment type									
Full-time	number (%)	1,740	(98%)	216	(99%)	1,672	(98%)	250	(99%)
Part-time	number (%)	31	(2%)	1	(1%)	27	(2%)	1	(1%)
Composition of employees by age group									
Age <30	number (%)	175	(10%)	11	(5%)	131	(8%)	14	(6%)
Age 30–50	number (%)	1,248	(70%)	109	(50%)	1,246	(73%)	109	(43%)
Age >50	number (%)	348	(20%)	97	(45%)	322	(19%)	128	(51%)
Composition of employees by employment category									
Managerial employees	number (%)	138	(8%)	34	(16%)	150	(9%)	38	(15%)
General staff	number (%)	1,633	(92%)	183	(84%)	1,549	(91%)	213	(85%)
Composition of employees by geographical region									
PRC (excluding Hong Kong)	number (%)	1,668	(96%)	197	(91%)	1,596	(94%)	228	(91%)
Hong Kong SAR	number (%)	34	(2%)	20	(9%)	37	(2%)	23	(9%)
Singapore	number (%)	69	(4%)	–	–	66	(4%)	–	–

EMPOWERING OUR EMPLOYEES *(continued)*

Protecting the Rights of Employee *(continued)*

Employee Turnover	Unit	2023	2022
Total turnover			
The Group	%	21	19
Employee turnover rate by gender			
Female	%	21	19
Male	%	20	20
Employee turnover rate by age group			
Age <30	%	38	51
Age 30–50	%	19	17
Age >50	%	16	13
Employee turnover rate by geographical region			
PRC (excluding Hong Kong)	%	21	19
Hong Kong SAR	%	6	11
Singapore	%	9	20

Occupational Health and Safety

The Group is aware of its responsibilities to maintain a safe and healthy working environment for our employees. We strictly adhere to relevant laws and regulations with respect to occupational health and safety (OHS) including but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong) and Law of the PRC on Prevention and Control of Occupational Diseases. We have adopted a series of OHS programs to minimize the occurrence of accidents and ensure the safety of the workplace. Our production site in Meizhou has attained the ISO 45001:2018 Occupational health and safety management systems certification to demonstrate effectiveness and efficiency of our OHS management system.

The Group has formulated equipment safety procedures to guide our employees in following our safety codes when using equipment in the workplace. A series of safety training covering first aid, fire safety, and production safety laws and regulations is provided to all employees.

Fire drills and safety training take place annually to ensure our staff are well prepared in case of an emergency. We strive to promote fire safety knowledge, hands-on fire extinguisher training, and personnel evacuation drills to raise awareness and equip employees with the necessary skills to respond effectively to fire emergencies.

We provide full-time permanent employees with medical insurance that covers doctor visits, hospital out-patient services, hospitalization, and certain eligible surgeries. For employees in PRC, we offer group commercial insurance service and arrange a mandatory physical examination annually.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR EMPLOYEES *(continued)*

Occupational Health And Safety *(continued)*

The Group is committed to preventing accidents and injuries at work and provides its employees with all necessary protective equipment at work to ensure a safe working environment and protect employees from occupational hazards. In cases of work-related injury, we will conduct thorough investigations and review all relevant documents. Corresponding preventive measures would be employed to prevent the recurrence of such events.

Health and Safety	Unit	2023	2022	2021
Lost days due to work injury	Day	328	37	307
Number of work-related fatalities	Person	0	0	0
Rate of work-related fatalities	%	0	0	0

Employees Training and Development

As a responsible employer, we aim to support our employees with different abilities through skills trainings and provide necessary support and resources with diverse career development opportunities. During the year, the Group has conducted various training programs encouraging colleagues to acquire new skills and attain qualifications to support their professional growth.

We have arranged training courses tailored to the job level and nature of our employees. For example, an orientation training program was designed for new employees to familiarize themselves with corporate information, occupational health and safety, and career development opportunities. We have launched a management trainee program for attracting and nurturing young talents. To enhance the skills of our sales and marketing team, we have conducted training workshops on business etiquette, customer communication, customer relationship management, and complaint handling.

We support leadership development with the provision of a range of training programs for leaders in different management levels. For example, we have developed a procedure for selecting and appointing management personnel. These guidelines outline the importance of management in future development and emphasize the continuous improvement of skills and performance of the management team.

To enhance the skills of mid-to-senior-level executives, we have organized various training programs focused on retail management techniques. These programs cover strategic management, analysis techniques for the entire business chain, operational tactics design, and the practical application of strategic and tactical knowledge. The objective is to align participants with our strategic direction and enhance their professional knowledge and skills.

Additionally, we have conducted a study session on the Company Management Selection and Appointment Regulations 2023 Edition. This session clarified our expectations for management personnel and highlighted areas for improvement. It covered prerequisites for becoming a manager, the six focal points of management work, the three primary responsibilities of the management team, and the requirements for selection and promotion.

For office and administrative staff, we offer training on computer software applications to enhance their technical skills and increase their work efficiency. Our managerial staff also receive training for boosting their leadership and management skills. Besides, a series of trainings sessions have been delivered to general staff with various topics covered such as legal and compliance, information security, technical systems, and health and safety. Additional trainings were provided to upskill employees who wish to become internal trainer.

EMPOWERING OUR EMPLOYEES *(continued)*

Employees Training and Development *(continued)*

Not only does the Group offer internal training courses to our employees, but we also encourage our people to take external professional training. Qualified employees will be granted financial subsidies to participate in approved external training programs. Moreover, we have collaborated with professional institutions to enhance the effectiveness of our training programs offered. With these training initiatives, there has been a significant increase in the total training hours for our employees.

Employee Trainings	Unit	2023	2022
Percentage of employees trained			
The Group	%	79	70
Percentage of employees trained by gender			
Female	%	75	69
Male	%	91	75
Percentage of employees trained by employment category			
Managerial employees[1]	%	107	93
General staff	%	77	68
Average training hours[2]			
The Group	hour	55.5	19.2
Average training hours by gender			
Female	hour	67.9	24.4
Male	hour	21.1	7.8
Average training hours by employment category			
Managerial employees	hour	51.6	20.7
General staff	hour	61.4	20.1

1 The percentage of managerial employees trained is 107%w hich included the trainings delivered to employees who have left the company during the year.

2 Significant increase in employee training due to the release from the Pandemic, the Group has increased the training sessions for both online and physical training to our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT

Our Response to Climate Change

Goldlion is dedicated to constructing climate resilience and minimizing our ecological footprint. Our primary objective is to incorporate sustainability across all facets of our business activities. To achieve this objective, we guarantee that our practices adhere to pertinent environmental legislation and regulations, as exemplified below:

- the Environmental Protection Law of the PRC;
- the Water Pollution Prevention and Control Law of the PRC;
- the Atmospheric Pollution Prevention and Control Law of the PRC;
- the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste; and
- the Regulations on the Administration of Construction Project Environmental Protection.

We are actively advancing our commitment to environmental responsibility, staying up to date with the latest trends in the ESG market and meeting the expectations of our stakeholders. We have identified six crucial environmental aspects to establish comprehensive sustainability objectives throughout our company. These goals provide clear guidance for our actions and reporting. Specifically, we are focused on reducing air pollution and greenhouse gas emissions, managing waste effectively, promoting the responsible use of resources, preserving biodiversity, mitigating climate change, and raising environmental awareness.

Throughout the reporting period, we remained fully compliant with environmental protection laws and regulations, with no material instances of non-compliance. We value the feedback of our employees on our environmental initiatives and practices. To ensure continuous improvement in our environmental performance, we actively seek and gather input and suggestions from our employees.

Managing Climate-related Risks and Opportunities

At Goldlion, we acknowledge the detrimental impacts brought by climate change and the importance of managing them. Our objective is to promote environmental awareness from our business practices to a wider audience. We are fully committed to reducing our carbon footprint and mitigating other climate-related risks by implementing strengthened environmental and climate change policies. These policies provide specific guidance on managing various environmental issues, including air and greenhouse gas emissions, waste, use of resources, and biodiversity preservation. We take proactive measures to minimize our impact on biodiversity and natural habitats, avoiding the use of endangered and vulnerable species in our apparel production. Furthermore, our policy outlines how we identify and mitigate significant, long-term climate-related issues. We assess climate-related risks and opportunities on a regular basis to identify potential physical and transitional climate risks to the Group’s operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT *(continued)*

MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES *(continued)*

Acute Physical Risk:

Risk that are driven by extreme weather events, such as typhoon, heavy rainfall, and floods.

Potential Impact:

These risks may increase the possibility of health and safety hazards to our staff and consumers, increase insurance premiums and cause business interruption.

Our Response:

The Group has developed operational protocols to ensure the well-being and safety of our employees during the rainy season and extreme weather events. Furthermore, the Group has implemented property insurance and public liability insurance to safeguard its interests and minimize potential financial risks.

Chronic Physical Risk:

Risks associated with longer-term shifts in climate patterns, such as sustained high temperature, and change in precipitation patterns.

Potential Impact:

Longer-term changes in the climate, such as increasing mean temperatures at our business locations may increase operating and maintenance costs.

Our Response:

The Group has implemented climate-resilient features in its buildings and properties, utilizing materials resistant to wind and water. Furthermore, comprehensive Contingency Plans for Emergencies have been established, outlining the responsibilities of relevant departments and the property management team in addressing climate-related hazards such as typhoons, heavy rainfall, and extreme weather events.

Transition Risk – Policy and Legal:

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

Potential Impact:

More stringent policy requirements towards decarbonisation may cause higher capital investment and other non-compliance fines.

Our Response:

Our legal and finance departments keep abreast of the latest regulatory development to ensure compliance with the applicable laws and regulations in the jurisdictions that we operate.

Transition Risk – Reputation:

Increasing public expectation on lower-carbon economy transition may cause reputational impact on the business.

Potential Impact:

The Group's reputation would be adversely affected if it does not take proactive steps to address climate change and meet the public expectation.

Our Response:

The Group is actively pursuing opportunities to transition its operations into low-carbon practices, such as installing solar-powered lights on rooftops and replacing rear staircases with LED motion-sensor lighting. These initiatives aim to enhance sustainability and mitigate any negative perceptions associated with a lack of progress.

The Group has established targets to reduce greenhouse gas ("GHG") emissions, energy consumption, water usage, and waste generation by 2030, using 2020 as the baseline. These targets aim to mitigate our impact on climate change. Additionally, our manufacturing site in Meizhou has implemented and achieved certification for the ISO 14001 Environmental Management System. This system ensures the presence of effective and prompt emergency mechanisms in the event of severe environmental incidents. Furthermore, it enables us to monitor the plant' sprogress in energy efficiency and achieving emission reduction targets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT *(continued)*

Managing Energy Consumption and Greenhouse Gas Emissions

Our energy consumption and greenhouse gas emissions primarily stem from electricity usage. To reduce our environmental impact, we are continuously exploring innovative and eco-friendly solutions to enhance energy efficiency. However, for our property development project in Meixian, we have not set specific targets due to the fluctuating energy consumption throughout the various stages of construction. Nonetheless, it remains crucial for us to establish and closely monitor targets for energy conservation and greenhouse gas emission reduction as outlined below:

Energy Consumption Reduction Targets

For apparel business and all our offices operation, achieve 16.7% reduction (1.67% per year) in energy consumption per million HK$ turnover in 2030 against the baseline year 2020.

For property investment business, achieve 16.7% reduction (1.67% per year) in energy consumption per floor area (excluding the consumption and floor area occupied by tenants) in 2030 against the baseline year 2020.

GHG Emissions Reduction Targets

For apparel business and all our offices operation, achieve 28% reduction (2.8% per year) in GHG emissions per million HK$ turnover in 2030 against the baseline year 2020.

For property investment business, achieve 28% reduction (2.8% per year) in GHG emissions per floor area (excluding the emissions generated and floor area occupied by tenants).

To achieve our energy-saving goals, we have implemented several measures. We have installed photovoltaic (PV) panels to generate approximately 385,000 kWh of electricity annually, resulting in cost savings of around HK$35,000 per year. We also plan to install PV panels in our Guangzhou property in 2024, which will lead to a projected total revenue of HK$660,000 by 2025. Additionally, we have replaced our old central air conditioning units with more efficient models, resulting in a significant reduction in electricity consumption. The new units are estimated to save 39% on electricity costs compared to the previous ones. We have also replaced traditional lighting with energy-efficient LED lights and solar-powered lighting systems. We have also adjusted temperature parameters and implemented smart systems to monitor and control electrical operations. Through these measures, we aim to minimize energy consumption and reduce our environmental impact. In recognition of our commitment to sustainable practices, we have received the "Platinum Award" from the Environmental Bureau for our charter on External Lighting. This award highlights our successful efforts in implementing energy-saving measures and adopting environmentally friendly technologies.

Compared to 2022, the total energy consumption and GHG emissions of the Group increased during the Reporting Period as we phased out the use of Liquefied Petroleum Gas (LPG) following the completion of the 2023 property development project and adopted the use of natural gas. There is also a significant increase in business air travel by employees due to COVID-19 restrictions eased and business activities resumed.

PROTECTING OUR ENVIRONMENT *(continued)*

Managing Water Consumption

Goldlion acknowledges the water scarcity challenges present in China Mainland, and as a company with a significant presence in this market, we are committed to responsibly managing our water consumption in affected regions. With this goal in mind, we have established a target to reduce the overall water consumption of our group. It is important to note that our property development projects are not included in this target, as water consumption during the various stages of construction can vary significantly.

Water Consumption Reduction Targets

For apparel business and all our offices operation, achieve 43% reduction (4.3% per year) in water consumption per million HK$ turnover in 2030 against the baseline year 2020.

For property investment business, achieve 43% reduction (4.3% per year) in water consumption per floor area in 2030 against the baseline year 2020.

We aim to achieve our water reduction target and improve water efficiency through various water conservation initiatives. These include frequent inspections, installation of flow restrictors on water faucets, adjustment of water pipes in air-conditioners, collection of rainwater for gardening purposes, and implementing measures to recycle and reuse water used for washing vehicles at construction sites. Treating disposed water from air conditioning units and rainstorms is estimated to save about 10,000 cubic meters of water per year, and our toilet renovation plan is expected to save about 20, 000 cubic meters of water. We also prioritize employee education to enhance water-saving awareness and promote the use of recycled water. By integrating these measures, we are confident in accomplishing our water conservation goals while improving overall water stewardship.

We are dedicated to adhering to all relevant government laws and regulations pertaining to wastewater treatment and discharge in the jurisdictions where we operate. In our wastewater treatment processes, we strictly comply with the discharge standards set by the respective authorities. By doing so, we ensure that our wastewater is treated appropriately and meets the required environmental standards.

Compared to 2022, the total water consumption of the Group has slightly increased in the Reporting Period due to higher water usage in our Property Management Operations. Going forward, the Group will continuously monitor the water consumption pattern of its business units and strive to reduce water consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT *(continued)*

Managing Material Use and Waste Handling

Hazardous wastes generated from the office, such as waste electronics, fluorescent tubes, and solvent-based paints, are carefully handled to minimize their environmental impact. Our waste management practices are based on the "4Rs" principles, including Reduce, Reuse, Recycle, and Replace. We have established designated collection containers for hazardous waste, and our staff members are instructed to properly dispose of these items or notify the cleaning personnel responsible for hazardous waste collection. We classify received waste into recyclable and non-recyclable categories and provide separate collection bins. Non-recyclable waste is collected daily by garbage trucks, while recyclable materials like paper, metal, and plastic are regularly collected by qualified environmental recycling companies. In our Guangzhou site, we organize comprehensive waste sorting training sessions for all employees at least twice a year, using various channels such as lectures, videos, competitions, and text messages.

To reduce material consumption, we make conscious choices in our procurement and usage practices. We prioritize using copier paper certified by CFCC and PEFC to ensure sustainable sourcing. We encourage employees to use secondary paper and minimize printing whenever possible. To further promote awareness on plastic waste within the office, we encourage employees to bring their own mugs. We maintain a material inventory record that details the date and quantity of materials stored, allowing us to effectively monitor material consumption and replenishment. We strive to conduct online document management to reduce reliance on paper-based office operations. We also make use of leftover materials to ensure cost control and maximize resource utilization.

Our primary packaging materials consist of plastic bags, plastic wrappings, and cardboard paper boxes. However, we are continuously researching and developing environmentally friendly alternatives as part of our commitment to implementing circular economy principles. In line with this, we have already begun incorporating biodegradable packaging materials into some of our products to minimize our waste footprint. We are proud to announce that we have received recognition from the Environmental Campaign Committee (ECC) this year as well as Certificate of Merit on Source Separation of Commercial and Industrial Waste from Environmental Protection Department (EPD) for our sustainable waste management practices.

The Group has set a target to achieve 50% paper recycling rate in 2030 across our offices and apparel business. During the Reporting Period, we have attained 23.7% paper recycling rate across our offices and apparel business. Going forward, we strive to enhance our waste recycling strategies and initiatives and consider setting waste reduction targets for other types of waste.

Managing Air Quality

Our direct contribution to air pollutant emissions is considered minimal as the majority of our products are manufactured by external suppliers. Only a small portion of our products, such as ties, leather goods, and corporate uniforms, are produced in our Meizhou factories. To reduce transport mileage, fuel consumption, and air pollution, we continuously optimize our distribution networks and plan routes efficiently. In terms of our operational facilities, the emissions from administrative vehicles comply with national exhaust emission requirements. With the exception of minimal gas consumption in our canteen, our group's operations do not contribute significantly to air pollution. We have taken steps to address the release of oily fumes from our kitchen's exhaust gases by installing treatment facilities. It is essential that we adhere to the expectations set by environmental protection agencies regarding our discharge practices. To further mitigate our environmental impact, we actively promote alternatives to unnecessary business travel among our employees. We encourage the use of conference calls and other electronic communication channels as substitutes. For short-distance business trips that are necessary, we advocate for employees to choose train travel over flights whenever possible. By adopting these practices, we aim to minimize air pollution associated with business-related travel.

PROTECTING OUR ENVIRONMENT *(continued)*

Environmental Data Summary

The table provided offers a concise overview of our environmental performance during the years 2022 and 2023. To ensure accurate comparisons, we have excluded the performance data from property development operations in the intensity figure. This exclusion is necessary due to the significant fluctuations that occur during different phases of construction, making it challenging to establish meaningful year-to-year comparisons.

Indicators	Unit	2023	2022
Air emissions[1]			
Nitrogen oxides	kg	97.7	93.3
Sulphur oxides	kg	0.9	0.8
Particulate matter (" PM")	kg	5.4	4.9
GHG emissions			
Scope 1 Emissions[2]	**tonne CO2 equivalent (tCO_2e)**	**723**	**767**
Offices	tCO_2e	153	134
Apparel distribution and manufacturing	tCO_2e	569	632
Property development[3]	tCO_2e	0	2
Scope 2 Emissions[4]	**tCO_2e**	**6,398**	**6,129**
Offices	tCO_2e	809	696
Apparel distribution and manufacturing	tCO_2e	1,590	1,671
Property investment	tCO_2e	3,429	3,322
Property development	tCO_2e	570	439
Scope 3 Emissions	**tCO_2e**	**392**	**218**
Business travel[5]	tCO_2e	268	119
Others[6]	tCO_2e	125	99
Total GHG emissions	**tCO_2e**	**7,513**	**7,114**
GHG emissions intensity			
GHG emissions per employee	tCO_2e/employee	4.24	4.19
GHG emissions per gross floor area	tCO_2e/m^2	0.09	0.09
GHG emissions (Scope 1 + 2) for apparel distribution and manufacturing business per turnover	tCO_2e/million HK$	2.07	2.13
GHG emissions (Scope 1 + 2) for property investment business and offices per floor area[7]	tCO_2e/m^2	0.08	0.07

1 Air emissions are generated from the consumption of Liquefied Petroleum Gas, petrol and diesel fuel. The Emission Factors adopted are based on Appendix 2: Reporting Guidance on Environmental KPIs published by the HKEx.

2 The data of scope 1 GHG emissions includes carbon dioxide, methane, nitrous oxide generated from the combustion of fuels in stationary combustion sources and vehicles and is calculated based on the emission factors in the " Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKEx and the "Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance" issued by DEFRA in the UK. The global warming potential is referred to in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change ("IPCC"). The Group has adopted the "operational control" approach for defining its organisational boundary for the purpose of Scope 1, 2, and 3 GHG accounting and reporting.

3 LPG was phased out following the completion of the 2023 property development project.

4 Scope 2 emissions are indirect GHG emissions from the consumption of purchased electricity by the Company. The emissions factors for Hong Kong-based operations are adopted from the latest sustainability reports published by CLP Power Hong Kong Limited in 2022 and Hongkong Electric in 2022; the emissions factors for the Mainland-based operations referenced the Ministry of Ecology and Environment of the People's Republic of China and the International Energy Agency (" IEA") for locations outside Hong Kong and PRC.

5 Emissions data relating to air travel by the employees of the Group was based on the International Civil Aviation Organization Carbon Emissions Calculator ("ICAO"). Significant increase in business air travel by employees due to COVID-19 restrictions eased and business activities resumed.

6 Scope 3 — other indirect GHG emissions include methane gas generation at landfill due to disposal of paper waste, GHG emissions due to electricity used for freshwater processing by the Water Services Department and sewage processing by the Drainage Services Department.

7 Data for property investment business only covers common areas of the Group's property holdings in China Mainland.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT *(continued)*

Environmental Data Summary *(Continued)*

Indicators	Unit	2023	2022
Energy consumption			
Total energy consumption[8]	kWh	14,300,367	13,302,791
Electricity	kWh	11,361,751	10,197,960
Petrol	Litre	57,531	51,662
Diesel[9]	Litre	102,751	242,949
LPG[3]	Litre	0	1,029
Natural Gas[10]	m^3	126,666	–
Energy consumption per employee	kWh/employee	8,075	7,830
Energy consumption per floor area	kWh/m^2	171	169
Energy consumption for apparel distribution and manufacturing business per turnover	kWh/million HK$	4,972	4,991
Energy consumption for property investment business and offices per floor area	kWh/m^2	140	127
Water consumption			
Total water consumption	m^3	166,782	156,157
Water consumption per employee	m^3/employee	94.2	91.9
Water consumption per floor area	m^3/m^2	2.0	2.0
Water consumption for apparel distribution and manufacturing business per turnover	m^3/million HK$	50.62	50.1
Water consumption for property investment business and offices per floor area	m^3/m^2	1.1	1.1
Waste management and packaging materials			
Total hazardous waste produced[11]	tonne	0.034	0.051
Hazardous waste intensity	tonne/employee	0.00002	0.00003
Total non-hazardous waste produced	tonne	33.91	45.8
Non-hazardous waste intensity	tonne/employee	0.02	0.03
Total packaging material[12]	tonne	196.122	211.9
Paper consumption for offices and apparel distribution and manufacturing business	tonne	123	110.0
Paper recycled in offices and apparel distribution and manufacturing business	tonne	29.1	29.2
Paper recycling rate for offices and apparel distribution and manufacturing business	%	23.7	26.5

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

9 Diesel for boilers consumption has been reduced as it has been gradually replaced by natural gas in 2023.

10 Relevant figure was disclosed from 2023 onwards due to the new adoption of natural gas in 2023.

11 As the major businesses of the Group are wholesales and retailing business of apparels, the amount of hazardous waste produced by the Group during the reporting period was insignificant. Hazardous waste generated by the Group was collected by qualified contractors for treatment in a safe manner.

12 Packaging material mainly includes packaging bags, andcartons. The figure of total packaging materials in 2022 has been restated to reflect a more accurate data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPORTING OUR COMMUNITY

By actively investing in and engaging with the community, the Group is dedicated to making a positive difference and fostering enduring prosperity within our society.

To enable community empowerment in the areas where we operate, the Group has established a comprehensive Community Investment Policy at the organizational level. This policy serves as a set of transparent principles and directions for our community initiatives and programs. Over the designated time frame, the Group has provided support to charitable organizations, non-governmental organizations, and diverse community programs via material contributions, financial sponsorships, and volunteerism. These endeavours greatly contribute to our objective of promoting the long-term viability of the community. During the reporting period, the Group has donated RMB1,010,000 and HK$108,000 respectively to support a range of community projects.

Competition Sponsorship

Goldlion donated RMB1,000,000 to the China Football Development Foundation (CFDF) as a special project fund to support the 2023 Hin Chi Cup National Youth Football Invitation Tournament.

Besides, we have also sponsored the darts league with a generous amount of HK$60,000, contributing to the growth and development of darts as a professional sport in Hong Kong.

We also donated a new dragon boat to the Tai Po District Dragon Boat Management Committee to support the annual dragon boat race held on 22nd June 2023, at the Tai Po Waterfront Park. Additionally, we sponsored the Beijing Li Gui Football Team to participate in the 23rd "Reunification Cup" Invitation Tournament in Macau in mid-December 2023. These various contributions solidified Goldlion's unwavering commitment to promoting sports, nurturing talent, and fostering a vibrant sports culture in the region.

A series of clothes donation programs to community groups in need

During the reporting period, the Group donated over 20,000 clothing products including down jackets, jeans, trousers, and T-shirts to local authorities in Tibet for distribution to the underprivileged citizens.

Charity Auction

At the 'Love for Overseas Chinese in South Guangdong, United with Business Community' charity auction, proceeds of RMB160,000 were donated to support philanthropic initiatives within the overseas Chinese community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG REPORTING GUIDE CONTENT INDEX

Mandatory Disclosure Requirements	Cross-reference in this Report/Comment
Governance Structure	p.27
Reporting Principles	p.26
Reporting Boundary	p.26

Aspects, General Disclosure, KPIs	Description	Cross-reference in this Report/ Comment
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.	p.40–46
KPI A1.1	The types of emissions and respective emissions data.	p.45
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	p.45
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	p.46
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	p.46
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	p.42–43
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.	p.44

HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Aspects, General Disclosure, KPIs	Description	Cross-reference in this Report/ Comment
A. Environmental *(continued)*		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	p.42–44
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in ’000s) and intensity.	p.46
KPI A2.2	Water consumption in total and intensity.	p.46
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	p.42
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.	p.43
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	p.44
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	p.42–44
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	p.42–44
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.	p.40–41
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.	p.40–41

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Aspects, General Disclosure, KPIs	Description	Cross-reference in this Report/ Comment
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.	p.35–39
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	p.36
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	p.37
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.	p.37–38
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	p.38
KPI B2.2	Lost days due to work injury.	p.38
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	p.37–38

HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Aspects, General Disclosure, KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B3: development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	p.38
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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.	p.35
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KPI B4.2	Description of steps taken to eliminate such practices when discovered.	p.35

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Aspects, General Disclosure, KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	p.34
KPI B5.1	Number of suppliers by geographical region.	p.34
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	p.34
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, andhow they are implemented and monitored.	p.34
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	p.34
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.	p.31–33
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	p.32
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	p.32
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KPI B6.4	Description of quality assurance process and recall procedures.	p.31–32
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	p.33

HKEX ESG REPORTING GUIDE CONTENT INDEX *(continued)*

Aspects, General Disclosure, KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
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.	p.28
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.	p.28
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	p.28
KPI B7.3	Description of anti-corruption training provided to directors and staff.	p.28
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.	p.47
KPI B8.1	Focus areas of contribution.	p.47
KPI B8.2	Resources contributed to the focus area.	p.47

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to maintain a high standard of corporate governance. The Board believes that to carry on the business in an accountable and transparent manner and following good corporate governance practices serve the long-term value to shareholders and stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Board develops and reviews the Company's policies and practices on corporate governance. The Directors also review the Company's compliance with the Corporate Governance Code as 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") and disclosure in the Corporate Governance Report. During the year under review, the Company complied with the Code Provisions in the Corporate Governance Code except that the roles of chairman and chief executive were performed by the same individual as explained below.

The Directors would continue to monitor and review the Company's corporate governance practices to ensure compliance.

CORPORATE CULTURE

Founded in 1968 by Dr. Tsang Hin Chi in Hong Kong, the Group embarked on its journey with a pioneering focus on necktie sales. Through continuous expansion of over half a century, we have evolved our portfolio to include the sale of apparel and accessories, as well as property investment and development, with our market covering China Mainland, Hong Kong SAR and Singapore. We have consistently adhered to a customer-oriented philosophy, committing ourselves to providing customers with excellent quality of products and services.

The Group has recognized "industriousness, frugality, integrity and trustworthiness" as its corporate culture. To obtain a sustainable business model that can maintain a healthy development of the Group's operation in long run, the Group operates through diligence, thriftiness and sincerity as well as through emphasizing reputation.

The Group maintains a strong sense of patriotism and is committed to contributing to the countries' long-term development proactively. We are firmly convinced that our business will flourish alongside the great rejuvenation of the nation, presenting exceptional opportunities for our growth.

The Group is committed to promote its corporate culture in alignment with its core values and vision, which enables the Group to deliver its long-term strategies. At the same time, the Group is committed to ensuring that its businesses are conducted lawfully, ethically and responsibly, and in accordance with high standards of business ethics and corporate governance.

BOARD OF DIRECTORS

Overall Accountability

The Board assumes full responsibility for leadership, control and development of the Company and is collectively responsible for promoting the success and sustainable development of the Company. It provides direction in matters concerning the Company's business strategies, policies and plans whereas daily business operations are delegated to the senior management. In discharging the corporate accountability, each Director is required to pursue excellence in the interests of the shareholders as a whole and fulfill his/her fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the Group's businesses. Currently, the Board comprises six members in total including an executive Director, a non-executive Director and four independent non-executive Directors. Non-executive Directors provide the Board with diversified expertise and experience. The Board believes that the presence of independent non-executive Directors can provide sufficient checks and balances that safeguard the interests of shareholders and the Group as a whole.

Each of the independent non-executive Directors has confirmed in writing to the Company their independence in particularly regarding to the requirements under Rule 3.13 of the Listing Rules. The Board considers that the independent non-executive Directors are free from any business or other relationship that may influence their exercise of independent judgment.

In case of an independent non-executive Director who has served more than 9 years, his further appointment is subject to a separate resolution to be approved by shareholders. The circular for shareholders' meeting accompanying that resolution will include the reasons why the Board believes he is still independent and should be re-elected.

Biographical details of the Directors are set out on page 72 to 73. Mr. Tsang Chi Ming, Ricky is a son of Madam Wong Lei Kuan who has retired on 19th May 2023. Save as disclosed above, there are no family or other material relationships among the Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Responsibilities and Delegation

The Company has clear policy to ensure that all Directors have a proper understanding of the business and operations of the Group and that they are fully aware of their roles and responsibilities as Directors under relevant legislations and regulatory requirements.

The Board reviews and monitors the Company's policies and practices on compliance with legal and regulatory requirements.

The Board is accountable for the supervision of the management in the business and affairs of the Company and the Group. Apart from its statutory and fiduciary duties, the Board sets the Group's objectives and approves strategic plans, key operational targets, capital expenditure, major investments and financing decisions. Day-to-day management of the Company is delegated to the executive Directors and the officers in charge of each business unit and function who are required to report to the Board.

All Board members are provided with full and timely information about the conduct of the business and development of the Company including monthly reports and updates on major matters. The Board reviews businesses and performance of the Group regularly.

To assist in the execution of its responsibilities, the Board has established three Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. All these Board Committees have clear written terms of reference which are available on the websites of the Company and the Stock Exchange.

All Directors have disclosed to the Company their interests as director and other office in other public companies and organizations annually including an indication of the time involved. The Directors have also regularly reported to the Company Secretary on any subsequent changes.

Board Meetings

The Board meets regularly and as and when required. In the year under review, four regular full Board meetings had been held. The Directors discussed the overall strategies of the Group, monitored financial and operational performance, approved the Group's financial statements as well as other material contracts and significant matters at the Board meetings. All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group during the year.

Details of Directors' attendance records in 2023 are set out below:

	Attendance (%)	
Executive Directors		
Mr. Tang Chi Ming, Ricky	(4/4)	100%
Madam Wong Lei Kuan (retired on 19th May 2023)	(1/1)	100%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(4/4)	100%
Independent Non-executive Directors		
Dr. Lau Yue Sun	(4/4)	100%
Mr. Li Ka Fai, David	(4/4)	100%
Mr. Ngan On Tak	(4/4)	100%
Ms. Lo Wing Sze (appointed on 3rd April 2023)	(3/3)	100%

BOARD OF DIRECTORS *(continued)*

Board Meetings *(continued)*

Dates of regular Board meetings are scheduled in the prior year to provide sufficient notice for all the Directors an opportunity to attend. For special Board meetings, reasonable notice will be given. The Directors may participate in the meetings in persons, by phone or other similar communication devices. Between regular Board meetings, the Directors may approve matters by ways of passing written resolutions.

The Company Secretary assists the Chairman in establishing the meeting agenda, and each of the Directors may request inclusion of items in the agenda. Board members are also provided with timely and adequate information prior to the Board meetings, and on an on-going basis, can have separate and independent access to the Group's senior management. Where queries are raised by Directors, prompt and full responses will be given if possible.

At the Board meetings, there is open atmosphere for Directors to contribute alternative views and major decisions would only be taken after a full discussion at the meetings. For matters on transactions where Directors are considered having conflict of interests, the Directors concerned would not be counted in quorum of meeting and shall abstain from voting on the relevant resolution.

The Directors can have separate and independent access to the Company Secretary. Minutes of the meetings are kept by the Company Secretary and copies are provided to Directors.

All Directors have full and timely access to all relevant information about the Group so that they can discharge their duties and responsibilities as Directors effectively. Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will appoint a professional advisor to render such service. The costs of such professional services will be borne by the Company.

A directors' and officers' liabilities insurance in respect of legal actions against Directors and officers has also been arranged.

Chairman and Chief Executive Officer

In respect of the requirement under Code Provision C.2.1, the positions of the Chairman and the Chief Executive Officer are held by the same individual, namely, Mr. Tsang Chi Ming, Ricky during the year. As Mr. Tsang Chi Ming, Ricky has joined the Group for over thirty years and has good understanding of the Group's businesses, the Board believes that holding the positions of both Chairman and Chief Executive Officer by Mr. Tsang Chi Ming, Ricky provides the Group with more effective planning and execution of long-term business strategies and enhances efficiency in decision making. The Board also believes that an effective corporate governance structure of the Group has been in place to ensure an appropriate monitoring of Management.

In addition, out of the six Board members, there are one non-executive Director and four independent non-executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings of which they are members.

The Chairman had held a meeting with the independent non-executive Directors without the presence of other Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors

All Directors have formal agreements or appointment letters setting out the key terms and conditions of their appointment. In accordance with the Company's Articles of Association, any Director appointed to fill casual vacancy will be subject to election at the first general meeting after their appointment and every Director has been subject to retirement by rotation at least once every three years. Each of the non-executive Directors has entered into formal appointment letter setting out their specific term of appointment of three years commencing from the date of the annual general meeting at which they are re-elected subject to the provisions of the Company's Articles of Association.

The Board has established the Nomination Committee with specific terms of reference. With the appointment of Ms. Lo Wing Sze on 3rd April 2023, the Nomination Committee currently consists of four independent non-executive Directors, a non-executive Director and an executive Director. List of members of Nomination Committee is set out in the "Corporate Information" on page 2.

With a view to ensuring that the Board has members with the right profile of expertise, skill and ability as well as an appropriate balance of independent directors, the Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and considers different criteria including appropriate professional knowledge and industry experience, as well as consults external recruitment professionals when required.

The Company has adopted a set of nomination policy to formalize the nomination practice. The policy sets out the selection criteria and procedures for the nomination of suitable candidates to the Board. In accordance with the policy, the Committee will evaluate potential candidates by considering various factors including but not limiting to their integrity, personal ethics, qualification and business experience, ability to provide insights and practical intelligence, commitment to enhancing shareholder value, time devotion and ability to maintain good working relationship. The Company is committed to improving Board diversity based on its needs and as and when suitable candidates are identified.

The Committee will also consider the independence of candidates if they will be appointed as independent non-executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of retiring Directors, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

The Committee also reviews the size, structure and composition of the Board and assesses the independence of the independent non-executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

Mr. Li Ka Fai, David who has served as an independent non-executive Director for more than nine years, retired by rotation and was eligible for re-election at the Company' sannual general meeting during the year. The Nomination Committee had discussed his re-election and considered that his long service will not affect his exercise of independent judgment to fulfill the role of independent non-executive Director.

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors *(continued)*

The Nomination Committee held one meeting during the year to review the structure, size and composition of the Board including diversity consideration. It recommended the appointment of a new independent non-executive Director to the Board for approval and also discussed the nominations of Director and other relevant matters. The attendance records were as follows:

Members	**Attendance (%)**	
Dr. Lau Yue Sun (Chairman)	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Ngan On Tak	(1/1)	100%
Ms. Lo Wing Sze (appointed on 3rd April 2023)	(0/0)	N/A
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

Diversity

The Company has adopted a Board diversity policy setting out approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard to diversity on the Board, including but not limited to race, gender, age, cultural and educational background, professional experience, skill and knowledge. The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Nomination Committee reviews and monitors the implementation of the diversity policy on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

For Board diversity, including gender diversity, the Company has maintained a female Director since its listing in 1992. The Board believes that it currently has the appropriate diversity to give balanced and wide-ranging considerations on matters deliberated at the Board level. The Board targets to maintain at least the current level of female representation and may adjust the proportion of female directors as and when appropriate. The current balance between the number of executive and non-executive Directors is also considered effective in ensuring independent judgment being exercised effectively to provide sufficient checks and balances to safeguard the interests of the Company and its shareholders.

As at 31st December 2023, 74% of the workforce (including senior management) are female. Female in management positions as percentage of total management workforce (including senior management) is 52%. The Company does not consider it necessary to set numerical targets and timelines for achieving gender diversity for the time being. The Company considers that it is more appropriate to retain flexibility in the dynamic environment in which it operates and to have an appropriate mix of diversity in its workforce based on its own needs from time to time. The Company advocates a diverse and inclusive workplace that enables people with different backgrounds to work together. The Group will organize more trainings, workshops and seminars on gender equality for employees.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Training and Support for Directors

Directors are required to keep abreast of their collective responsibilities. Each newly appointed Director will receive a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive briefing and professional development necessary for them to have proper understanding of the Group's operations and business and are fully aware of their responsibilities under relevant statutory and regulatory requirements. Guidance and notes are issued to Directors where appropriate to ensure compliance and enhance their awareness of best corporate governance practices.

The Board reviews and monitors the training and continuous professional development of Directors and senior management. A training seminar regarding anti-corruption was provided to the Directors and senior management during the year under review. In 2023, the Directors participated in the following trainings:

	Type of trainings
Executive Directors	
Mr. Tsang Chi Ming, Ricky	A, B
Madam Wong Lei Kuan (retired on 19th May 2023)	A, B
Non-executive Director	
Mr. Ng Ming Wah, Charles	A, B
Independent Non-executive Directors	
Dr. Lau Yue Sun	A, B
Mr. Li Ka Fai, David	A, B
Mr. Ngan On Tak	A, B
Ms. Lo Wing Sze (appointed on 3rd April 2023)	A, B

A: attending seminars and/or conferences
B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules. All the Directors confirmed that they have complied with the relevant requirements under the Model Code during the year.

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee in 2005 with specific terms of reference. With the appointment of Ms. Lo Wing Sze on 3rd April 2023, the Remuneration Committee currently consists of four independent non-executive Directors, a non-executive Director and an executive Director. List of members of Remuneration Committee is set out in the "Corporate Information" on page 2.

The key role of the Committee is to establish a formal and transparent procedure for developing remuneration policy and to review the remuneration packages of the executive Directors and members of the senior management with reference to the Board's corporate goals. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high-calibre team of staff.

In determining remuneration packages, the Company mainly considers employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual staff.

In respect of the requirement under Code Provision E.1.2(c), the Company has adopted the model in which the Remuneration Committee should make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee reviews remuneration packages of the executive Directors and senior management regularly to ensure that those packages are commensurate with their performance. The chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

The Board provides sufficient resources (including access to independent professional advice if necessary) to the Remuneration Committee to enable it to discharge its duties effectively.

To maintain proper management control, no Director and member of the senior management can determine his/her own remuneration.

During the year, the Remuneration Committee held one meeting during the year to review the remuneration packages of individual executive Directors and senior management. Attendance records of the Committee meeting were as follows:

Members	**Attendance (%)**	
Mr. Ngan On Tak (Chairman)	(1/1)	100%
Dr. Lau Yue Sun	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Ms. Lo Wing Sze (appointed on 3rd April 2023)	(0/0)	N/A
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements of each financial period which give a true and fair view of the financial position of the Group and the results for the corresponding period, as well as inside information and other financial disclosures as required. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. In preparing the financial statements for the year, the Directors have:

– selected suitable accounting policies and applied them consistently;

– adopted accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants;

– made judgments and estimates that are reasonable; and have prepared the financial statements on the going concern basis.

All Board members are provided with monthly updates including latest financial and operational information which give the Directors a balanced and understandable assessment of the performance of the Group. Management provides all relevant information to the Board, giving the members sufficient explanation and information they need to discharge their responsibilities.

Audit Committee

The Audit Committee was established in 1998. Currently the Committee comprises four independent non-executive Directors and a non-executive Director, and is chaired by Mr. Li Ka Fai, David who has extensive accounting and auditing experiences.

The Audit Committee is primarily tasked with assisting the Board in fulfilling its oversight responsibilities for financial reporting, risk management and evaluation of internal controls and auditing processes. It also reports to the Board on matters relating to the Audit Committee under the relevant regulations. List of members of Audit Committee is set out in the "Corporate Information" on page 2.

The Committee is also empowered to investigate any matters relating to the Group's accounting, auditing, risk management, internal controls and financial practices, with full access to records, resources and personnel, to enable it to discharge its functions properly.

In respect of maintaining an appropriate relationship with the Company's auditors, the Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and to approve their remuneration and terms of engagement, and any questions of resignation or dismissal of the auditors. The Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee also discusses with the auditors the nature and scope of the audit and reporting obligations before the audit commences. The Company has also obtained an independence confirmation from the external auditor.

The Audit Committee has also conducted regular reviews on the nature and extent of non-audit services supplied by the external auditors and ensures that the engagement of the external auditors in non-audit services will not impair its audit independence or objectivity. The Committee had held a meeting with the external auditors without the presence of the management to discuss various auditing issues.

The Audit Committee has reviewed the Group's interim and annual results as well as the external auditor's management letter, any material queries raised by the external auditors to management about accounting records, financial statements, risk management or systems of control and management's response. The chairman of the Committee reports the work, findings and recommendations to the Board after each meeting.

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

The Audit Committee held four meetings during the year and the attendance records were as follows:

Members	**Attendance (%)**	
Mr. Li Ka Fai, David (Chairman)	(4/4)	100%
Dr. Lau Yue Sun	(3/4)	75%
Mr. Ngan On Tak	(4/4)	100%
Ms. Lo Wing Sze (appointed on 3rd April 2023)	(3/3)	100%
Mr. Ng Ming Wah, Charles	(4/4)	100%

RISK MANAGEMENT AND INTERNAL CONTROL

Overall Responsibility

Effective risk management and internal control systems are the essential element for the achievement of corporate goals. The Board therefore acknowledges its responsibility to evaluate and determine the nature and extent of the risks of the Group is willing to take. Senior management of the Group should formulate and implement the internal control system to facilitate risk management.

The Board, through the Audit Committee, is also responsible for ensuring, maintaining and reviewing the effectiveness of the risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Strategy

Effective risk management plays a vital role facilitating the Group to attain its vision and mission. In the long run, it raises the value for all stakeholders across the spectrum. Our risk management strategy includes:

– provide clear responsibility and accountability structures for risk management;

– determine the Group's risk profile within risk appetite;

– hold regular meetings to review the management of these risks and the effectiveness of mitigation plans and controls;

– actively identify the positive business opportunities in relation to these risks;

– embed risk management in core operations and decision-making process;

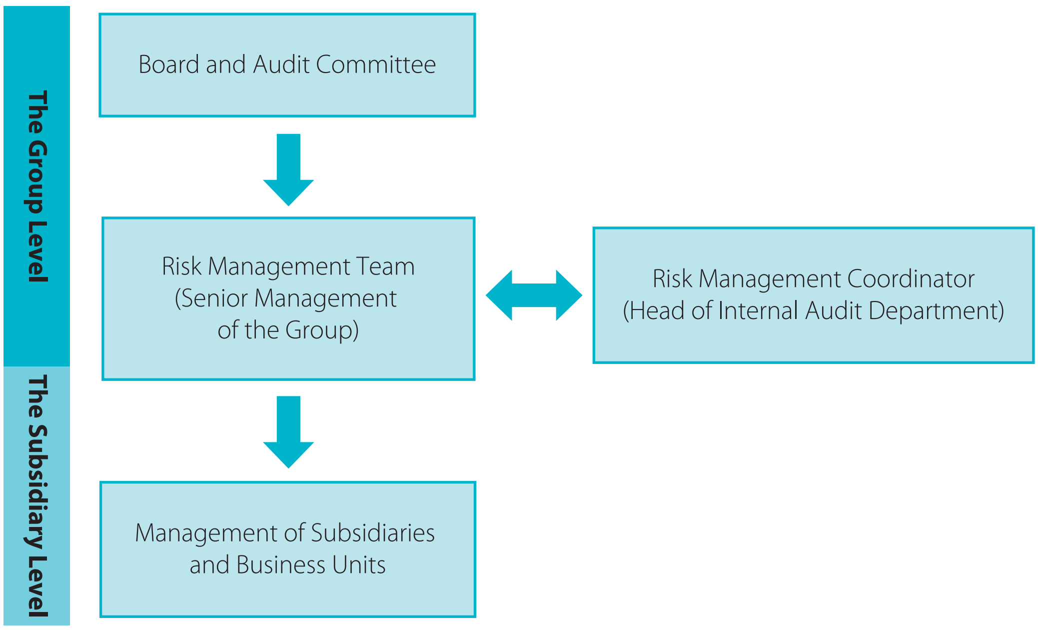
– allocate sufficient resources to develop, maintain and streamline risk management strategies and its policies.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure

In order to improve the Group's risk management and to enhance its management standards and ability to mitigate risks, the Board has established its organizational structure on risk management. The Group's risk management organizational structure includes a 3-tier framework, namely the Board and Audit Committee, risk management team comprising of senior management of the Group and management of subsidiaries and business units. Details of which are set out as follows:



Key roles performed by various parties within the risk management structure are set out below:

Board and Audit Committee

- Overseeing the structure and duties of the risk management functions;
- Assessing the effectiveness of the underlying risk management system;
- Reviewing assessment reports on major risk factors and other various risk management reports.

Risk Management Team (Senior Management of the Group)

- Reviewing and timely updating the "Risk Management Manual";
- Handling major risk factors of the Group and developing respective risk management measures;
- Reporting timely on various risk management matters and providing confirmation of the effectiveness of the risk management and internal control systems to the Board and the Audit Committee;
- Designing, implementing and monitoring the Group's risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure *(continued)*

Risk Management Coordinator (Head of Internal Audit Department)

- Organizing and coordinating departments and business units of the Group for the promotion of risk management functions;
- Facilitating the Risk Management Team in assessing risks and proposing respective risk management measures;
- Facilitating the Risk Management Team in reporting significant risks, material changes and the associated mitigating actions and highlights to the Audit Committee to enhance the accountability and quality of the risk management process;
- Assisting the Risk Management Team in promoting the risk management culture of the Group and various risk control and assessment duties.

Management of Subsidiaries and Business Units

- Working together with the Risk Management Coordinator for performing risk assessment at operational level and updating the respective list of risk factors;
- Formulating and implementing specific risk management measures for respective operations;
- Monitoring and controlling the risks identified in respective operations, and reporting timely to the Risk Management Team.

Risk Management Process

The Group has adopted a "Risk Management Manual" setting out the Group's risk management cycle. The five major steps included in the cycle are risk identification, risk analysis, risk handling, risk monitoring and risk reporting.

If there are any new or change in risk factors, responsible risk owners are required to reassess the existing risk management measures and promptly propose new ones if necessary. Being an integral part of the Group's Risk Management Team to provide assurance on the effectiveness of the Group's risk management process and system of internal control, the Internal Audit Department carries out assessment on the risk management progress and risk responses submitted by risk owners.

During the year, the Group coordinated the management of major business units to walk through the risk management cycle. Major risks identified are:

– maintaining a sustainable and profitable business model;

– managing and monitoring major business decisions properly;

– strategic planning, execution and implementation.

During the year, the Group was not aware of any unexpected adverse changes that were significant to the risks related to the Group's business. The Board has also received a confirmation from management on the effectiveness of the Group's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Process *(continued)*

The Group has implemented appropriate procedures and control for the handling and dissemination of inside information. Guidelines setting out respective statutory and regulatory requirements, definition of inside information, reporting channel, timing and mode for the disclosure and other necessary information are in place. Designated staff will review the nature and materiality of the subject matter and identify whether it would constitute an inside information in the first instance. Appropriate actions, including consultation of external professional advice in confidentiality, will be taken to ensure the information is handled and disseminated properly in accordance with relevant requirements.

Internal Controls

The Board has ultimate responsibility for maintaining a sound and effective risk management and internal control systems, which is designed to provide reasonable but not absolute assurance against material errors, losses or fraud. The Board, through the Audit Committee, hasconducted regular reviews on the effectiveness of the system.

The Group's internal control system comprises an established organizational structure and comprehensive policies and working procedures. Areas of responsibilities of each business and operational unit are reasonably defined to ensure sufficient segregation of duties.

The key procedures that the Board established to provide effective controls are as follows:

– a distinct organizational structure exists with defined lines of authority and control responsibilities;

– a comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose;

– policies and procedures are designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;

– systems and procedures are also in place to identify, measure, manage and control risks including reputation, strategic, legal, credit, market, ilquidity, interest rate and operational risks;

– procedures are designed to ensure compliance with applicable laws, rules and regulations;

– Audit Committee reviews recommendations submitted by external auditors to the Group's management in connection with the annual audit and interim review.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Controls *(continued)*

The Group's Internal Audit Department plays a major role in monitoring the internal control of the Group. The Department conducts systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviews the effectiveness of the Group's internal control system against the Integrated Internal Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in order to provide reasonable assurance of the effectiveness of the system. The Department reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and internal control system. The Department summarizes audit findings and control weaknesses and reports to the Audit Committee on a regular basis. If any material internal control defects are identified, the Department would report to the Audit Committee promptly and help ensure proper remedial actions are taken by management to resolve the internal control defects.

The whistle-blowing procedure of the Group is in place during the year. The procedure is to provide a reporting channel to employees of the Group, inconfidence, to raise concerns about possible improprieties or frauds in financial reporting, internal control or other matters to the Audit Committee.

During the year, the Audit Committee, as delegated by the Board, has conducted an annual review on the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls as well as risk management functions for the calendar year 2023. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group' saccounting, internal audit and financial reporting functions.

External Auditors and their Remuneration

The external audit function provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. A statement by the Company's external auditors, PricewaterhouseCoopers, in respect of their reporting responsibilities is set out in the Independent Auditor's Report on page 81.

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$3,822,000, of which a sum of HK$3,485,000 was paid to PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	3,485,000
Tax and other consulting services	1,017,000
Total	4,502,000

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board strives for timeliness and transparency in its disclosures to shareholders and the public. The Company disseminates its information to shareholders in a timely manner through various channels including interim and annual reports, published announcements, press releases and shareholders' circulars. Regular meetings are held with investors, analysts, bankers and the press. The Group has a corporate website where shareholders and members of the public are able to access to up-to-date corporate information and events related to the Group.

Contact details of the Company (including telephone and fax numbers, postal and email addresses) are listed in the "Corporate Information" on page 2. Shareholders can send their enquiries to the Company through these channels. Shareholders can also contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Shareholders' views on matters relating to the Group are always welcomed by the Company. The Company encourages shareholders to attend at the shareholders' meetings to express any concerns they may have with the Board and management directly.

The annual general meeting of the Company provides a useful platform for dialogue and interaction with all the shareholders. At the annual general meeting, the Chairman as well as chairmen of the Board Committees, or in their absence, members of the Committees and the Company's external auditors are available to answer shareholders' questions.

Proceedings of the annual general meeting are reviewed regularly to ensure that the Company follows good corporate governance practices. The notice of annual general meeting is distributed to all shareholders at least twenty clear business days prior to the date of meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered and exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the websites of the Company and the Stock Exchange on the day of the meeting.

The 2023 annual general meeting was held on 19th May 2023. The attendance records of the Directors at the meeting were as follows:

	Attended/held
Executive Directors	
Mr. Tsang Chi Ming, Ricky	1/1
Madam Wong Lei Kuan (retired on 19th May 2023)	1/1
Non-executive Director	
Mr. Ng Ming Wah, Charles	1/1
Independent Non-executive Directors	
Dr. Lau Yue Sun	1/1
Mr. Li Ka Fai, David	1/1
Mr. Ngan On Tak	0/1
Ms. Lo Wing Sze (appointed on 3rd April 2023)	1/1

COMMUNICATION WITH SHAREHOLDERS *(continued)*

The Company has also adopted a dividend policy during the year. In considering the declaration and distribution of dividends, the Board will take into account a number of factors including the Group's financial results, cash flow status, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that the Board may consider relevant. In addition, the Group shall maintain adequate cash reserves to meet its working capital requirements, future business expansion and its shareholding value in recommending or declaring dividends.

Convening a General Meeting on Requisition by Shareholders

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a request to the Company to convene a general meeting pursuant to section 566 of the Companies Ordinance. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be sent to the Company in hard copy form or in electronic form and authenticated by the relevant shareholder(s).

Besides, section 615 of the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the annual general meeting or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to circulate a notice of a resolution for consideration at the annual general meeting. Such request must identify the resolution to be moved at the annual general meeting and must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form not later than six weeks before the relevant annual general meeting or if later, when the notice of the annual general meeting is despatched.

During the year ended 31st December 2023, the Company has not made any changes to its Articles of Association. The latest version of the same is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2023.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 89.

The Directors declared an interim dividend of 3.5 HK cents (2022: 3.5 HK cents) per ordinary share, totalling HK$34,245,000 (2022: HK$34,374,000), which was paid on 20th September 2023.

The Directors recommend the payment of a final dividend of 4.0 HK cents (2022: 5.0 HK cents) per ordinary share totalling HK$38,954,000 (2022: HK$48,922,000) in respect of the year ended 31st December 2023. Subject to the shareholders' approval at the Annual General Meeting to be held on 24th May 2024, the final dividend will be paid on or about 13th June 2024.

BUSINESS REVIEW

Further discussion and analysis of the Group's business as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) is set out in the Chairman's Statement on pages 10 to 14. Those relevant contents form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 3 to the financial statements.

Relevant details of the Company's environment policies and performance and key relationships with employees, customers and suppliers are set out in the Environmental, Social and Governance Report on pages 26 to 53. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$2,273,000 (2022: HK$2,514,000).

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment, own use and development purposes at 31st December 2023 are set out on pages 18 to 25.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2023 are set out in note 18 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2023, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$181,951,000 (2022: HK$166,965,000).

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of Hong Kong, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 158.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Tsang Chi Ming, Ricky
Madam Wong Lei Kuan (retired on 19th May 2023)

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

Dr. Lau Yue Sun
Mr. Li Ka Fai, David
Mr. Ngan On Tak
Ms. Lo Wing Sze (appointed on 3rd April 2023)

In accordance with Article 101 of the Company's Articles of Association, Mr. Ng Ming Wah, Charles and Mr. Ngan On Tak shall retire by rotation. Mr. Ng Ming Wah, Charles, being eligible, shall offer himself for re-election at the forthcoming Annual General Meeting. Mr. Ngan On Tak shall not offer himself for re-election with effect from the conclusion of the forthcoming Annual General Meeting.

The Company has received confirmation from each of the independent non-executive Directors concerning their independence from the Company and considers them to be independent.

Madam Wong Lei Kuan retired on 19th May 2023 as executive director of the Company. Madam Wong Lei Kuan has confirmed that she has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

REPORT OF THE DIRECTORS

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the year and up to the date of this report, Mr. Tsang Chi Ming, Ricky and Mr. Ng Ming Wah, Charles were also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report were:

Madam Wong Lei Kuan (retired during the year of 2023)
Mr. Kam Yiu Kwok
Mr. Quek Chew Teck
Mr. Tsang Chi Mao, Jimmy
Mr. Tu Wu Yi

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Descriptions of the Directors and Senior Management of the Group are set out as follows:

Executive Directors

Mr. Tsang Chi Ming, Ricky, J. P., aged 57, is the Chairman and Chief Executive Officer of the Group. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in 2001 and as the Chief Executive Officer in 2005. Mr. Tsang was re-designated as Chairman and Chief Executive Officer in April 2018. He has extensive commercial experience and is a member of the National Committee of the C.P.P.C.C.. Mr. Tsang is also vice chairman of All-China Chamber of Industry and Commerce, vice chairman of Guangdong Federation of Industry & Commerce, vice chairman of Guangdong Province Federation of Returned Overseas Chinese, chairman of The Association of Overseas and Domestic Guangdong Hakka, vice chairman of the Chinese General Chamber of Commerce, executive chairman of Hong Kong Hakka Associations, chairman of Hong Kong Federation of Meizhou Associations, chairman of New Territories General Chamber of Commerce, vice president of Centum Charitas Foundation, chairman of Proactive Think Tank Limited and an honorary citizen of Guangzhou and Meizhou.

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 74, was appointed to the Board in July 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with an M.Sc. degree in Business Studies. Mr. Ng has over 45 years of experience in corporate finance and investment banking. He is a director of Somerley Capital Limited, the principal business of which is the provision of corporate financial advisory services. During the last three years, Mr. Ng was a non-executive director and member of the audit committee of King Fook Holdings Limited (stock code: 280) and retired on 7th September 2023.

REPORT OF THE DIRECTORS

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

Independent Non-executive Directors

Dr. Lau Yue Sun, B. B S, aged 83, is the managing director of New Products Investment Limited and Jip Fair Development Limited. Dr. Lau has over 45 years of experience in manufacturing, electronics, plastic injection products and import/export business. He is a member of the Selection Committee for the First Government of Hong Kong SAR and member of the first, second, third and fourth of Election Committee, an honorary standing committee member of the Chinese General Chamber of Commerce, permanent honorary president of Hong Kong Industrial & Commercial Association and permanent honorary president of Hong Kong Guangdong Chamber of Foreign Investors. He is also an advisor of Guangdong Education Foundation, vice chairman of Guangdong Zhongkai University of Agriculture and Engineering, honorarychairman of Guangdong Jiaying University, as well as honorary citizen of Shenzhen, Heyuan, Meizhou and Xingning. Previously, Dr. Lau served as member of the eighth, ninth, tenth and eleventh session of the National Committee of the C.P.P.C.C.. He was appointed to the Board in December 1994.

Mr. Li Ka Fai, David, aged 69, is a fellow of the Association of Chartered Certified Accountants, U.K.. Mr. Li is an independent non-executive director and chairman of the audit committee of each of Shanghai Industrial Urban Development Group Limited (stock code: 563) and Wai Yuen Tong Medicine Holdings Limited (stock code: 897). He is also an independent non-executive director, chairman of the audit committee, member of the nomination committee and member of the remuneration committee of each of China-Hongkong Photo Products Holdings Limited (stock code: 1123) and Cosmopolitan International Holdings Limited (stock code: 120), an independent non-executive director, chairman of the audit committee and member of the remuneration committee of China Merchants Port Holdings Company Limited (stock code: 144), and an independent non-executive director, member of the audit committee and member of the remuneration committee of Continental Aerospace Technologies Holding Limited (formerly known as AVIC International Holding (HK) Limited) (stock code: 232). During the last three years, Mr. Li was an independent non-executive director, chairman of the audit committee and chairman of the remuneration committee, member of the nomination committee of CR Construction Group Holdings Limited (stock code: 1582) and retired in June 2021. Mr. Li was appointed to the Board in August 2010.

Mr. Ngan On Tak, aged 73, graduated from the University of Hong Kong with a Bachelor of Laws Degree in 1976 and obtained a Postgraduate Certificate in Laws in 1977. Mr. Ngan was admitted as a solicitor in Hong Kong in 1979. He became a partner of F. Zimmern & Co., a law firm in Hong Kong, in 1982 and a senior partner in 2005. Mr. Ngan retired from the partnership in 2019 and ceased to be a consultant of the firm in 2020. He was a member of the Hong Kong Law Society's Title Registration Working Party and was its chairman from 2008 to 2012. Mr. Ngan was appointed to the Board in September 2020.

Ms. Lo Wing Sze, B. B S, J. P., aged 52, holds a Bachelor of Economics Degree from the University of Sydney and a Master of Commerce in Finance Degree from the University of New South Wales in Australia. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. She is the financial director of Million Tour Limited and the founder and financial director of M1 Hotel Group. Ms. Lo was appointed as a Justice of the Peace in 2017 and awarded the Bronze Bauhinia Star in 2020 by the Hong Kong Special Administrative Region ("HKSAR") Government. She is a member of All-China Women's Federation Hong Kong SAR delegate and the Election Committee 2021 (The Fourth Sector) of the HKSAR and was a member of the Election Committee for the Fifth Government of the HKSAR (Tourism Subsector). Ms. Lo is a member of the Social Workers Registration Board, the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials, the Advisory Committee on Admission of Quality Migrants and Professionals, the Immigration Department Users' Committee, the Correctional Services Children's Education Trust Investment Advisory Board and the District Fire Safety Committee (Wan Chai District). She is also an Honorary Court Member of the Lingnan University. Ms. Lo is the Chairlady of Tai Hang Five Dragon Heritage Centre (Revitalising Historic Buildings Through Partnership Scheme Batch IV). Ms. Lo is an independent non-executive director of each of New World Development Company Limited (stock code: 0017), Virtual Mind Holding Company Limited (formerly known as CEFC Hong Kong Financial Investment Company Limited) (stock code: 1520), China Resources Mixc Lifestyle Services Limited (stock code: 1209) and Lee & Man Paper Manufacturing Limited (stock code: 2314) respectively. During the last three years, Ms. Lo was an independent non-executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018) and the terms of office expired in July 2023. Ms. Lo was appointed to the Board on 3rd April 2023.

REPORT OF THE DIRECTORS

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

Senior Management

Mr. Kam Yiu Kwok, aged 61, is the Chief Financial Officer and Company Secretary of the Group. Mr. Kam joined the Group in 1999 as an accounting manager. He was appointed as Secretary of the Company in 2000 and also as Chief Financial Officer in 2010. Mr. Kam takes full responsibility for the Group's financial management, investor relations and company secretarial functions. He has extensive experience in accounting and finance, and is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Tsang Pui Yuen, aged 56, joined the Group in December 2013 and is the General Manager in charge of the Group's property investment activities in China Mainland. Mr. Tsang is a Registered Professional Surveyor and is a member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. Mr. Tsang has over 30 years of experience in the real estate profession. Prior to joining the Group, Mr. Tsang held senior position in a Hong Kong listed company with wide range of property investment and development activities.

Mr. Wong Chun Hing, aged 46, is currently the director of Business Development of the Group's China Mainland operation in charge of licensing and business development operations. He is also the General Manager of the Group's Singapore apparel operation. Mr. Wong joined the Group in 2013 as an assistant of chief executive officer of the Group's China Mainland operation. He has solid experience in retailing and general management and is a graduate of the University of Hong Kong with a Bachelor Degree in Chemistry. Mr. Wong worked with the Hong Kong Jockey Club for over 10 years before joining the Group.

SHARE OPTIONS

At the Annual General Meeting of the Company held on 23rd May 2014, the shareholders approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in service of the Group and other persons who may make a contribution to the Group (the " Eligible Participants").

Under the New Option Scheme, which is valid and effective for a period of ten years from the date of its adoption, the Directors may grant options to any Eligible Participants to subscribe for ordinary shares in the Company at a price to be determined by the Directors and to be no less than the higher of: (a) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets on the day of offer; and (b) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotations Sheets for the five trading days immediately preceding the date of offer. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at the date of such grant, without prior approval from the Company's shareholders. The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10 percent of the issued ordinary share capital of the Company as at the adoption date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes of the Company must not exceed 30 percent of the issued ordinary share capital of the Company from time to time.

Offer for the grant shall remain open for acceptance by the Eligible Participants concerned for a period of up to 28 days from the date of offer. The consideration for the grant of options is HK$1. Options may be exercised at any time to be determined by the Directors at its absolute discretion and in any event shall expire no later than the 10th anniversary of the commencement date of the New Option Scheme.

During the year, no options had been granted or remained outstanding under the New Option Scheme or any other share option schemes of the Company.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased a total of 4,592,000 ordinary shares at an aggregate consideration of HK$4,838,510 before expenses on the Stock Exchange. All such repurchased shares were subsequently cancelled during the year. As at 31st December 2023, there was a total of 973,844,035 (2022: 978,436,035) shares in issue.

Details of the repurchased shares during the year are as follows:

Month of shares repurchase	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid (before expenses) HK$
November 2023	1,790,000	1.04	1.01	1,842,270
December 2023	2,802,000	1.11	1.02	2,996,240
Total	4,592,000			4,838,510

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 31st December 2023, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as 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 (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of the Company at 31st December 2023

Director		Number of shares held			Percentage to total issued share capital
		Personal interests	Other interests (note)	Total	
Tsang Chi Ming, Ricky	Long positions	1,404,000	613,034,750	614,438,750	63.09%
	Short positions	–	–	–	–

Note: The shareholding disclosed by Mr. Tsang Chi Ming, Ricky under the heading "Other interests" in the above table refer to the same shares which was held by Hin Chi Family Management Limited (being trustee of the Tsang Hin Chi (2007) Family Settlement) as disclosed in the paragraph headed "Substantial Shareholders" below.

Other than those interests and short positions disclosed above, (a) the Director and the Chief Executive also holds shares of certain subsidiaries in trust for the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member; (b) 1 share and 450,000 shares of the non-voting deferred shares of Goldlion (Far East) Limited (which ordinary shares are wholly owned by the Group) were held by Mr. Tsang Chi Ming, Ricky and Hin Chi Family Management Limited (as trustee of The Tsang Hin Chi (2007) Family Settlement) respectively. Mr. Tsang Chi Ming, Ricky is a discretionary beneficiary of the said trust and is deemed to be interested in such 450,000 shares held by Hin Chi Family Management Limited. Non-voting deferred shares of Goldlion (Far East) Limited do not entitle the holders to receive notice of or to attend vote at its general meeting, and to participate in the distribution of its profit.

(b) Save as disclosed above, as at 31st December 2023, none of the Directors and the Chief Executive of the Company has or is deemed to have any interest or short position in the shares, underlying shares and debentures of the Company, its specified undertakings and its other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Save as disclosed above, at no time during the year ended 31st December 2023 was the Company, its subsidiaries or its other associated corporations a party to any arrangements to enable the Directors and the Chief Executive of the Company (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company or its specified undertakings or other associated corporation.

REPORT OF THE DIRECTORS

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

The register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 2023, the Company has been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of holder of securities	Type of securities		Number of shares held	Percentage to total issued share capital
Hin Chi Family Management Limited (note 1)	Ordinary shares	Long positions	613,034,750	62.95%
		Short positions	–	–
Top Grade Holdings Limited (note 1)	Ordinary shares	Long positions	613,034,750	62.95%
		Short positions	–	–
Silver Disk Limited (note 1)	Ordinary shares	Long positions	160,616,000	16.49%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited (note 2)	Ordinary shares	Long positions	53,880,750	5.53%
		Short positions	–	–
FMR LLC	Ordinary shares	Long positions	58,164,331	5.97%
		Short positions	–	–

Notes:

1. Hin Chi Family Management Limited as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited ("Top Grade"). Top Grade was interested in 613,034,750 shares in the Company including 160,616,000 shares held by Silver Disk Limited, a wholly-owned subsidiary of Top Grade.

2. Tsang Hin Chi Charities (Management) Limited as trustee of The Tsang Hin Chi Charitable Foundation (a charitable trust granted tax exemption under section 88 of the Inland Revenue Ordinance, which is controlled by Mr. Tsang Chi Ming, Ricky) held 53,880,750 shares in the Company.

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Other than as disclosed under the section "Connected Transactions" below, no transactions, arrangements and contracts of significance to which the Company's subsidiaries was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The following transaction between a connected party (as defined in the Listing Rules) and the Group has been entered into and/or is ongoing and is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(a) The Group paid professional fees of HK$320,000 to Equitas Capital Limited during the year in the ordinary course of its business. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

The related party transactions as disclosed under note 36(a) to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There is no advance (including guarantee given by the Company and any of its subsidiaries), which is of non-trading nature, to any of the affiliated companies as at 31st December 2023 as defined under Chapter 13 of the Listing Rules.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased 14% and 40% of its inventories from its largest supplier and five largest suppliers in aggregate respectively, and sold 3% and 9% of its goods to its largest customer and five largest customers in aggregate respectively.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest (as defined in the Listing Rules) in these major suppliers and customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

REPORT OF THE DIRECTORS

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates are considered to have interests in a business which compete or are likely to compete, either directly or indirectly, with the Group's business pursuant to Rule 8.10 of the Listing Rules during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 54 to 69.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 38 to the financial statements.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

AUDITOR

The financial statements for the year ended 31st December 2023 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Hong Kong, 19th March 2024

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE MEMBERS OF GOLDLION HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries ("the Group") which are set out on pages 87 to 157, comprise:

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

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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, andin forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Carrying value of inventories
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying value of inventories	
Refer to note 13 to the consolidated financial statements. The Group held inventories of HK$202 million as at 31st December 2023. When assessing the carrying value of inventory at each period end, the Group consistently applies a provisioning methodology for slow moving inventory based on inventory ageing and makes specific provision for obsolete inventory. We focused on this area because the estimation of provision percentages applied to different aged inventory categories and the estimation of specific provision for obsolete inventory are subject to high degree of estimation uncertainty. The inherent risk in relation to carrying value of inventory is considered significant as it involves significant judgment based on historical experience of selling products of similar nature through various sales channels as well as expectation of future sales under current market condition. These estimations are also subject to uncertainty as a result of change of market trends, customer preference and competitor actions.	We obtained an understanding of the management's internal control and assessment process of the carrying value of inventory and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We examined the basis of the methodology with respect to inventory provision and evaluated, amongst others, the outcome of management's estimations in prior year, analysis and assessment made by management with respect to slow moving and obsolete inventory. We evaluated the assumptions and estimates applied by management to determine the provisioning percentages applicable to individual ageing category of inventory by testing the accuracy of historical information involved, comparing with current year and historical sales trends of similar products and performing sensitivity analysis on changes of major assumptions of future sales, such as sales through rate. We tested the accuracy of the ageing profile of the inventory used in the calculation of provision. We performed a recalculation of the inventory provision using the ageing profile of the inventory as at 31st December 2023 and the provision percentages determined by management. Based on the procedures described, we considered management's judgment and estimates, which formed the basis of the carrying value of inventory, were reasonable and acceptable.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 8 to the consolidated financial statements. The Group held investment properties of HK$2,687 million as at 31st December 2023 which were stated at fair values. The fair value losses from the investment properties for the year ended 31st December 2023 approximates to HK$47 million. We focused on this area because the aggregate carrying amounts represented approximately 51% of total assets of the Group as at 31st December 2023 and the fair values are dependent on the methodologies used and are sensitive to changes of inputs used in the valuations. Fair values of the Group's investment properties are supported by valuation performed by independent professional valuers. The valuers adopted the income capitalization approach, which took into account the rental values and gross reversionary yields, and direct comparison approach, which largely used unobservable inputs including market rent, yield, etc.	We obtained an understanding of the management's internal control and assessment process of the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We assessed the competency, capability and objectivity of the independent external valuers by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuers to understand the rationale of the chosen valuation methods and the assumptions applied; and based on which we assessed the appropriateness of the methodologies used and the reasonableness of assumptions applied, where applicable, we further compared, on a sample basis, the data inputs and assumptions used in the valuation models, such as gross reversionary yields and rental values, to market and industry data. Based on the procedures performed, we considered the methodologies used and key assumptions applied in the valuation of the Group's investment properties were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance 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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 those charged with governance 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 those charged with governance 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

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

From the matters communicated with those charged with governance, 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 Pang Ho Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th March 2024

CONSOLIDATED BALANCE SHEET

As at 31st December 2023

	Note	As at 31st December 2023 HK$'000	As at 31st December 2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**181,107**	145,273
Right-of-use assets	7	**92,222**	87,053
Investment properties	8	**2,686,658**	2,775,582
Financial assets at fair value through other comprehensive income	9	**–**	5,432
Deferred income tax assets	21	**55,873**	57,478
		3,015,860	3,070,818
Current assets			
Property under development	11	**103,214**	767,938
Completed properties	12	**651,481**	–
Inventories	13	**201,634**	204,578
Trade receivables	15	**99,729**	125,091
Prepayments, deposits and other receivables	15	**60,971**	80,503
Contract assets	16	**52,506**	64,980
Tax recoverable		**7,560**	3
Restricted cash	17	**10,208**	26,186
Bank deposits	17	**721,494**	840,885
Cash and cash equivalents	17	**357,099**	309,805
		2,265,896	2,419,969
Total assets		**5,281,756**	5,490,787
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	18	**1,092,060**	1,096,939
Reserves	19	**3,312,704**	3,350,444
Total equity		**4,404,764**	4,447,383

CONSOLIDATED BALANCE SHEET

As at 31st December 2023

	Note	As at 31st December 2023 HK$'000	As at 31st December 2022 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	20	**30,995**	26,152
Lease liabilities	22	**22,829**	31,048
Deferred income tax liabilities	21	**375,325**	399,376
		429,149	456,576
Current liabilities			
Trade payables	20	**34,605**	47,251
Other payables and accruals	20	**172,470**	227,776
Contract liabilities	16	**211,129**	269,118
Lease liabilities	22	**21,432**	18,629
Current income tax liabilities		**8,207**	24,054
		447,843	586,828
Total liabilities		**876,992**	1,043,404
Total equity and liabilities		**5,281,756**	5,490,787

The consolidated financial statements on pages 87 to 157 were approved by the Board of Directors on 19th March 2024 and were signed on its behalf by:

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Mr. Li Ka Fai, David
Director

The notes on pages 93 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2023

	Note	2023 HK$'000	2022 HK$'000
Turnover	5	**1,331,456**	1,415,709
Cost of sales	24	**(572,941)**	(645,919)
Gross profit		**758,515**	769,790
Other losses	23	**(47,066)**	(57,110)
Selling and marketing costs	24	**(447,488)**	(406,197)
Administrative expenses	24	**(162,187)**	(153,775)
Operating profit		**101,774**	152,708
Interest income	29	**27,402**	22,725
Interest expense	29	**(1,743)**	(1,293)
Profit before income tax		**127,433**	174,140
Income tax expense	30	**(11,269)**	(19,678)
Profit for the year attributable to owners of the Company		**116,164**	154,462
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the year – Basic and diluted	32	**11.87**	15.73

The notes on pages 93 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**116,164**	154,462
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of property, plant and equipment upon reclassification to investment property	**874**	8,609
Change in fair value of financial assets at fair value through other comprehensive income	**190**	(1,002)
Income tax relating to these items	**(273)**	(1,902)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(71,528)**	(229,983)
Other comprehensive loss for the year	**(70,737)**	(224,278)
Total comprehensive income/(loss) for the year attributable to owners of the Company	**45,427**	(69,816)

The notes on pages 93 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2023

	Share capital HK$'000	Other reserves (note 19) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January 2022	1,101,358	535,360	2,988,022	4,624,740
Comprehensive income				
Profit for the year	–	–	154,462	154,462
Other comprehensive income/(loss)				
Revaluation of property, plant and equipment upon reclassification to investment property	–	6,457	–	6,457
Change in fair value of financial assets at fair value through other comprehensive income	–	(752)	–	(752)
Currency translation differences	–	(229,983)	–	(229,983)
Total other comprehensive loss for the year	–	(224,278)	–	(224,278)
Total comprehensive (loss)/income for the year	–	(224,278)	154,462	(69,816)
Ordinary shares repurchased and cancelled (note 18)	(4,419)	–	–	(4,419)
Appropriation to reserves (note 19(i))	–	632	(632)	–
Final dividend relating to 2021	–	–	(68,748)	(68,748)
Interim dividend relating to 2022 (note 31)	–	–	(34,374)	(34,374)
Total transactions with owners in their capacity as owners	(4,419)	632	(103,754)	(107,541)
Balance at 31st December 2022	1,096,939	311,714	3,038,730	4,447,383
Balance at 1st January 2023	**1,096,939**	**311,714**	**3,038,730**	**4,447,383**
Comprehensive income				
Profit for the year	**–**	**–**	**116,164**	**116,164**
Other comprehensive income/(loss)				
Revaluation of property, plant and equipment upon reclassification to investment property	**–**	**655**	**–**	**655**
Change in fair value of financial assets at fair value through other comprehensive income	**–**	**136**	**–**	**136**
Currency translation differences	**–**	**(71,528)**	**–**	**(71,528)**
Total other comprehensive loss for the year	**–**	**(70,737)**	**–**	**(70,737)**
Total comprehensive (loss)/income for the year	**–**	**(70,737)**	**116,164**	**45,427**
Ordinary shares repurchased and cancelled (note 18)	**(4,879)**	**–**	**–**	**(4,879)**
Appropriation to reserves (note 19(i))	**–**	**164**	**(164)**	**–**
Final dividend relating to 2022 (note 31)	**–**	**–**	**(48,922)**	**(48,922)**
Interim dividend relating to 2023 (note 31)	**–**	**–**	**(34,245)**	**(34,245)**
Total transactions with owners in their capacity as owners	**(4,879)**	**164**	**(83,331)**	**(88,046)**
Balance at 31st December 2023	**1,092,060**	**241,141**	**3,071,563**	**4,404,764**

The notes on pages 93 to 157 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**116,091**	62,960
Interest paid	29	**(1,743)**	(1,293)
Income tax paid		**(48,404)**	(30,703)
Net cash generated from operating activities		**65,944**	30,964
Cash flows from investing activities			
Purchases of property, plant and equipment	6	**(44,619)**	(11,859)
Additions to investment properties	8	**(7,612)**	(7,617)
Proceeds from disposals of property, plant and equipment	33(a)(i)	**1,399**	99
Proceed from sale of financial assets at fair value through other comprehensive income		**5,500**	–
Decrease/(increase) in restricted cash		**15,978**	(5,499)
Decrease/(increase) in bank deposits with maturity over 3 months		**106,164**	(13,543)
Interest received		**22,901**	25,284
Net cash generated from/(used in) investing activities		**99,711**	(13,135)
Cash flows from financing activities			
Payment on repurchase of shares	18	**(4,839)**	(4,384)
Principal elements of lease payments	33(c)	**(19,574)**	(16,876)
Dividends paid to owners of the Company		**(83,167)**	(103,122)
Transaction costs attributable to repurchase of shares	18	**(40)**	(35)
Net cash used in financing activities		**(107,620)**	(124,417)
Net increase/(decrease) in cash and cash equivalents		**58,035**	(106,588)
Cash and cash equivalents at 1st January		**309,805**	454,342
Effect of foreign exchange rate changes		**(10,741)**	(37,949)
Cash and cash equivalents at 31st December	17	**357,099**	309,805

The notes on pages 93 to 157 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19th March 2024.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income ("FVOCI").

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the HKICPA.

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

(a) The new standard and amended standards effective in 2023 but not relevant to the Group

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies
HKAS 8 (Amendment)	Definition of accounting estimates
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction
HKAS 12 (Amendment)	International tax reform – Pillar two model rules
HKFRS 17	Insurance contracts
HKFRS 17 (Amendment)	Amendments to HKFRS 17
HKFRS 17 (Amendment)	Initial application of HKFRS 17 and HKFRS 9 – Comparative information

The above new standard and amended standards did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

2 BASIS OF PREPARATION *(continued)*

(b) The following amended standards and new interpretation have been issued but are not effective for the financial year beginning on 1st January 2023 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Classification of liabilities as current or non-current	1st January 2024
HKAS 1 (Amendment)	Non-current liabilities with covenants	1st January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1st January 2024
HKAS 21 (Amendment)	Lack of exchangeability	1st January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established
HKFRS 16 (Amendment)	Lease liability in a sale and leaseback	1st January 2024
HK (IFRIC) – Int 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1st January 2024

The above amended standards and new interpretation are not expected to have a material impact on the consolidated financial statements of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group operates in various regions and is exposed to foreign exchange risk primarily arising from bank deposits, cash and cash equivalents, trade receivables and interest receivables which are denominated in Renminbi and Singapore dollar, andnet investments in foreign subsidiaries in China Mainland and Singapore.

At 31st December 2023, if Hong Kong dollar had weakened/strengthened by 3% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$486,000 (2022: HK$2,714,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated bank deposits, cash and cash equivalents, tade receivables and interest receivables.

Management believes that the appreciation/depreciation of Singapore dollar against Hong Kong dollar would not have a material effect on the Group's post-tax profit for the year. Therefore, no sensitivity analysis for Singapore dollar is presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. Apart from bank deposits, the Group has no significant interest-bearing assets or liabilities.

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents, restricted cash and deposits with banks, credit exposures to wholesale and retail customers and other parties, including outstanding receivables and deposits and other receivables.

(i) Risk management

The Group limits its exposure to credit risk by rigorously selecting its counterparties including the deposit-takers and debtors and by diversification. Bank deposits are placed only with major and sizeable banks approved by the Board from time to time and there is no significant concentration risk to a single counterparty.

For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. The Directors of the Company consider the credit risk exposure to guarantees provided to bank is limited unless the selling price would drop by more than guaranteed amounts. In this regard, the Directors of the Company consider that the Group's credit risk is largely mitigated.

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 34. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The Group mitigates its exposure to risks relating to trade receivables by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards, Alipay or WeChat Pay. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(i) Risk management (continued)

As at 31st December 2023, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2023		As at 31st December 2022	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Trade receivables	**99,729**	**99,729**	125,091	125,091
Deposits and other receivables	**30,381**	**30,381**	26,157	26,157
Restricted cash, bank deposits and cash and cash equivalents	**1,088,801**	**1,088,777**	1,176,876	1,176,849

(ii) Impairment of financial assets

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under HKFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets without financing components.

To measure the ECL, trade receivables have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. The contract assets arise from the right to recover products from customer on settling right of return obligation. The Group has therefore concluded that the loss rates for contract assets should be considered separately from trade receivables and measured the loss rates for contract assets by products return profiles of customers.

The expected loss rates are based on the payment profiles of sales and products return profiles over a period of 24 months before 1st January 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets *(continued)*

In respect of trade receivables, the ECL is determined according to a provision matrix where receivables balances are provided for at a weight average expected loss rate of 2%, 5% and 17% (2022: 5%, 12% and 32%) for ageing of trade receivables based on invoice date between 1 to 90 days, between 91 to 180 days and over 181 days, respectively. In respect of contract assets, ECL rate is assessed to be close to zero as at 31st December 2023 because the historical default rates of return are immaterial.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Other receivables and deposits

Other receivables and deposits are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECL. As at 31st December 2023, no impairment loss of deposits and other receivables was identified.

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. There were no available banking facilities as at 31st December 2023 (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk *(continued)*

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31st December 2023				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	34,605	–	–	–	34,605
Other payables	27,673	10,758	17,045	2,387	57,863
Lease liabilities	22,853	16,774	6,796	–	46,423
Guarantees of mortgage facilities	20,364	–	–	–	20,364
	105,495	27,532	23,841	2,387	159,255

	As at 31st December 2022				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	47,251	–	–	–	47,251
Other payables	34,222	8,904	14,195	2,358	59,679
Lease liabilities	20,516	17,754	14,618	–	52,888
Guarantees of mortgage facilities	77,318	–	–	–	77,318
	179,307	26,658	28,813	2,358	237,136

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or sell assets.

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total lease liabilities less restricted cash, bank deposits and cash and cash equivalents. The gearing ratios at 31st December 2023 and 2022 were as follows:

	2023 **HK$'000**	2022 HK$'000
Total lease liabilities (note 22)	**44,261**	49,677
Less: restricted cash, bank deposits and cash and cash equivalents (note 17)	**(1,088,801)**	(1,176,876)
Net cash	**(1,044,540)**	(1,127,199)
Total equity	**4,404,764**	4,447,383
Gearing ratio	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value at 31st December 2023 and 2022, by valuation method. The different levels have been defined as follows:

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

	Level 3	
	2023 HK$'000	2022 HK$'000
Asset		
Financial assets at fair value through other comprehensive income	**–**	5,432

There were no transfers among levels 1, 2 and 3 during the year.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The changes in level 3 financial instruments for the years ended 31st December 2023 and 2022 were set out in note 9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Write-down of inventories, property under development and completed properties to net realizable value

Net realizable value of inventories, property under development and completed properties are the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

(b) Estimate of fair value of investment properties

The fair values of investment properties are determined by using valuation techniques. Details of the judgments and assumptions involved are disclosed in note 8.

(c) Income taxes

The Group is subject to income taxes in a number of different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Theoutcome of their actual utilization may be different.

(d) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge prospectively where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(continued)*

(e) Recognition of right of return obligation

Right of return obligation is recorded based on the estimated expected sales amount in future and they are recorded when the relevant sales of goods are recognized or when there are other contractual obligations on sales return. The Group estimates the sales return provision based on contractually bound sales return amount, special sales return credit granted during the year and past experience as basis to provide for amount of sales returns at each financial report date.

(f) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 on the operations of the Group and the countries in which it operates. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the assets in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's reported balance sheet and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the statement of profit or loss.

(g) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical and existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

5 OPERATING SEGMENTS

The Group has three reportable segments. The segments are managed separately as each business segment offers different products and services and requires different marketing strategies. The following summary describes the operations in each of the Group' sreportable segments:

Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name in China Mainland and Hong Kong SAR.

Apparel in Singapore – Distribution and manufacturing of garments, leather goods and accessories in Singapore.

Property investment and development – Investment in and development of properties in China Mainland, Hong Kong SAR and Singapore.

The Group reports the results of its operating segments based on the internal reports reviewed by the chief operating decision maker for the purpose of making strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment

	2023					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,009,522	35,674	286,260	1,331,456	–	1,331,456
Inter-segment sales	1,038	–	11,117	12,155	(12,155)	–
	1,010,560	35,674	297,377	1,343,611	(12,155)	1,331,456
Segment results	78,973	(2,754)	82,441	158,660		158,660
Unallocated costs						(31,227)
Profit before income tax						127,433
Income tax expense						(11,269)
Profit for the year						116,164
Interest income	11,330	–	2,143	13,473	13,929	27,402
Depreciation of property, plant and equipment	20,329	734	3,581	24,644	2,057	26,701
Depreciation of right-of-use assets	15,338	3,160	228	18,726	62	18,788
Impairment of right-of-use assets	1,821	–	–	1,821	–	1,821
Reportable segment assets:						
Property, plant and equipment	151,714	4,632	19,763	176,109	4,998	181,107
Right-of-use assets	78,164	7,872	5,964	92,000	222	92,222
Investment properties	–	–	2,686,658	2,686,658	–	2,686,658
Deferred income tax assets	–	–	–	–	55,873	55,873
Property under development	–	–	103,214	103,214	–	103,214
Completed properties	–	–	651,481	651,481	–	651,481
Inventories	190,291	11,343	–	201,634	–	201,634
Restricted cash, bank deposits and cash and cash equivalents	563,573	1,497	294,111	859,181	229,620	1,088,801
Contract assets	52,506	–	–	52,506	–	52,506
Others	125,315	5,911	19,272	150,498	17,762	168,260
Reportable segment liabilities:						
Trade payables	32,137	2,228	206	34,571	34	34,605
Other payables and accruals	57,761	1,957	128,325	188,043	15,422	203,465
Contract liabilities	183,655	–	27,474	211,129	–	211,129
Lease liabilities	36,054	7,917	–	43,971	290	44,261
Current income tax liabilities	–	–	–	–	8,207	8,207
Deferred income tax liabilities	–	–	–	–	375,325	375,325
Capital expenditure	40,941	1,526	8,475	50,942	1,289	52,231

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment *(continued)*

	2022					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,046,320	34,703	334,686	1,415,709	–	1,415,709
Inter-segment sales	1,189	–	9,763	10,952	(10,952)	–
	1,047,509	34,703	344,449	1,426,661	(10,952)	1,415,709
Segment results	129,359	2,686	87,131	219,176		219,176
Unallocated costs						(45,036)
Profit before income tax						174,140
Income tax expense						(19,678)
Profit for the year						154,462
Interest income	13,843	–	4,387	18,230	4,495	22,725
Depreciation of property, plant and equipment	15,887	432	4,267	20,586	1,991	22,577
Depreciation of right-of-use assets	16,599	1,688	178	18,465	59	18,524
Impairment of right-of-use assets	10,703	–	–	10,703	–	10,703
Reportable segment assets:						
Property, plant and equipment	96,185	3,775	10,846	110,806	34,467	145,273
Right-of-use assets	77,167	6,786	2,816	86,769	284	87,053
Investment properties	–	–	2,775,582	2,775,582	–	2,775,582
Deferred income tax assets	–	–	–	–	57,478	57,478
Property under development	–	–	767,938	767,938	–	767,938
Inventories	195,174	9,404	–	204,578	–	204,578
Restricted cash, bank deposits and cash and cash equivalents	647,772	11,183	275,712	934,667	242,209	1,176,876
Contract assets	64,980	–	–	64,980	–	64,980
Others	148,100	6,097	47,083	201,280	9,749	211,029
Reportable segment liabilities:						
Trade payables	42,777	4,207	226	47,210	41	47,251
Other payables and accruals	48,710	2,237	185,874	236,821	17,107	253,928
Contract liabilities	215,667	–	53,451	269,118	–	269,118
Lease liabilities	42,367	6,921	103	49,391	286	49,677
Current income tax liabilities	–	–	–	–	24,054	24,054
Deferred income tax liabilities	–	–	–	–	399,376	399,376
Capital expenditure	9,347	1,103	9,026	19,476	–	19,476

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment *(continued)*

Central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are included as unallocated costs. Taxation charge is not allocated to reportable segments.

(b) Geographical information

The Group's turnover from external customers is derived from the following geographical areas:

	2023 **HK$'000**	2022 HK$'000
China Mainland	**1,234,264**	1,318,709
Hong Kong SAR	**60,274**	61,119
Singapore	**36,918**	35,881
	1,331,456	1,415,709

The Group's non-current assets (excluding deferred income tax assets) by geographical location are detailed below:

	2023 **HK$'000**	2022 HK$'000
China Mainland	**1,679,683**	1,753,075
Hong Kong SAR	**1,217,944**	1,204,174
Singapore	**62,360**	56,091
	2,959,987	3,013,340

(c) Information about major customers

In 2023 and 2022, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

5 OPERATING SEGMENTS *(continued)*

(d) Disaggregation of revenue

	2023 HK$'000	2022 HK$'000
Revenue recognized under HKFRS 15		
Sales of goods	**952,064**	968,164
Sales of properties	**92,621**	139,033
Building management fees	**42,150**	40,787
Licensing income	**93,132**	112,859
	1,179,967	1,260,843
Revenue recognized under other accounting standards		
Rental income from investment properties	**151,489**	154,866
	1,331,456	1,415,709
Timing of revenue recognition under HKFRS 15		
At a point in time	**1,061,827**	1,135,956
Over time	**118,140**	124,887
	1,179,967	1,260,843

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

5 OPERATING SEGMENTS *(continued)*

Accounting policies of revenue recognition

(a) Sale of goods – wholesale

The Group manufactures and sells a range of garments, leather goods and accessories to distributors. Sales are recognized when control of the products has transferred, being when the products are delivered to the distributors, at a point in time.

The goods are often sold with volume discounts based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present. Sales return provisions are recorded based on the contracted return of goods. The Group estimates the sales return provision based on accumulated experience and the terms in the sales contracts with distributors.

(b) Sales of goods – retail

The Group sells garments, leather goods and accessories through chain of retail stores and e-commerce platform. Revenue from the sale of goods is recognized when a group entity sells a product to the customer, the point in time when the control of the goods has been transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

(c) Sales of properties

Revenue from the sales of properties is recognized in the income statement on the basis that control over the ownership of the property has been passed to the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(d) Rental income from investment properties

Rental income from investment properties is recognized on a straight-line basis over the period of the respective leases.

(e) Licensing income and building management fee

Licensing income and building management fee are recognized in the accounting period in which the services are rendered.

(f) Contract liabilities

Contract liability is recognized when payments are received from customers in advance but the relevant performance obligation has not been performed.

A sales refund liability and an asset for the right of return goods are recognized in the consolidated balance sheet. The Group uses the expected value method to estimate the credit refund or return which best predicts the amount of reliable consideration to which the Group entitled.

The Group receives payments from customers in advance in pre-sales arrangement. Such proceeds from customers are recorded as contract liabilities before the relevant sales are recognized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2022							
Cost	269,251	–	61,160	114,380	48,233	26,071	519,095
Accumulated depreciation	(176,748)	–	(53,194)	(105,629)	(40,030)	(21,852)	(397,453)
Net book amount	92,503	–	7,966	8,751	8,203	4,219	121,642
Year ended 31st December 2022							
Opening net book amount	92,503	–	7,966	8,751	8,203	4,219	121,642
Additions	105	–	1,258	6,764	3,413	319	11,859
Disposals	–	–	–	(1)	(69)	(41)	(111)
Transfer from investment properties	42,568	–	–	–	–	–	42,568
Transfer to investment properties	(4,592)	–	–	–	–	–	(4,592)
Depreciation	(13,901)	–	(290)	(4,356)	(1,796)	(2,234)	(22,577)
Exchange differences	(1,349)	–	(604)	(761)	(604)	(198)	(3,516)
Closing net book amount	115,334	–	8,330	10,397	9,147	2,065	145,273
At 31st December 2022 and 1st January 2023							
Cost	291,082	–	57,841	112,334	47,334	23,754	532,345
Accumulated depreciation	(175,748)	–	(49,511)	(101,937)	(38,187)	(21,689)	(387,072)
Net book amount	115,334	–	8,330	10,397	9,147	2,065	145,273
Year ended 31st December 2023							
Opening net book amount	**115,334**	**–**	**8,330**	**10,397**	**9,147**	**2,065**	**145,273**
Additions	**–**	**18,472**	**7,656**	**4,562**	**7,347**	**6,582**	**44,619**
Disposals	**–**	**–**	**(25)**	**–**	**(20)**	**(832)**	**(877)**
Transfer from investment properties	**8,021**	**–**	**–**	**–**	**–**	**–**	**8,021**
Transfer to investment properties	**(72)**	**–**	**–**	**–**	**–**	**–**	**(72)**
Transfer from property under development	**11,971**	**–**	**–**	**–**	**–**	**–**	**11,971**
Depreciation	**(17,948)**	**–**	**(717)**	**(3,554)**	**(3,151)**	**(1,331)**	**(26,701)**
Exchange differences	**(367)**	**–**	**(221)**	**(280)**	**(228)**	**(31)**	**(1,127)**
Closing net book amount	**116,939**	**18,472**	**15,023**	**11,125**	**13,095**	**6,453**	**181,107**
At 31st December 2023							
Cost	**307,911**	**18,472**	**63,211**	**112,514**	**52,403**	**23,914**	**578,425**
Accumulated depreciation	**(190,972)**	**–**	**(48,188)**	**(101,389)**	**(39,308)**	**(17,461)**	**(397,318)**
Net book amount	**116,939**	**18,472**	**15,023**	**11,125**	**13,095**	**6,453**	**181,107**

Depreciation expense of HK$961,000 (2022: HK$1,275,000) has been expensed in cost of sales, HK$5,021,000 (2022: HK$1,407,000) in selling and marketing costs and HK$20,719,000 (2022: HK$19,895,000) in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Accounting policies of property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 8. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated depreciation rates as follows:

Buildings	2% to 5%
Plant and machinery	10%t o 20%
Furniture and fixtures	20%t o 33%
Computers	20%t o 33%
Motor vehicles	20%t o 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset' scarrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 39.4).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group revalues such property on 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 in assets revaluation reserve.

The fair value at the date of the change in use is the deemed cost for subsequent accounting as investment properties. On disposal of the property, revaluation reserve is transferred to retained profits as a movement in reserves.

Construction in progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

7 RIGHT-OF-USE ASSETS

	2023 HK$'000	2022 HK$'000
At 1st January	**87,053**	66,352
Additions	**15,788**	43,909
Disposal	**(97)**	(116)
Transfer to investment properties	**–**	(1,568)
Transfer from investment properties	**8,226**	11,733
Transfer from property under development	**3,452**	–
Depreciation	**(18,788)**	(18,524)
Impairment loss	**(1,821)**	(10,703)
Exchange differences	**(1,591)**	(4,030)
At 31st December	**92,222**	87,053

The recognized right-of-use assets relate to the following types of assets:

	2023 HK$'000	2022 HK$'000
Land use rights in China Mainland	**57,484**	49,276
Buildings	**34,111**	37,074
Machinery and equipment	**364**	466
Furniture and fixtures	**263**	137
Motor vehicle	**–**	100
	92,222	87,053

Depreciation charge of right-of-use assets:

	2023 HK$'000	2022 HK$'000
Land use rights in China Mainland	**2,579**	2,262
Buildings	**15,896**	15,905
Machinery and equipment	**145**	247
Furniture and fixtures	**71**	8
Motor vehicle	**97**	102
	18,788	18,524

NOTES TO THE FINANCIAL STATEMENTS

7 RIGHT-OF-USE ASSETS *(continued)*

Impairment assessment of plant and equipment and right-of-use assets

Management has performed an assessment on the Group's non-current assets, primarily comprising plant and equipment and right-of-use assets as at 31st December 2023. In this connection, management reviewed the results of operation of each retail store, representing different cash-generating units ("CGUs") in determining whether any impairment indicator exists with each of the CGUs under review. For those retail stores where an impairment indicator was noted, management assessed the recoverable amount of the CGU based on value-in-use calculation using projected cashflow over the lease term of each retail store.

The determination of the value-in-use calculation of the relevant CGU involves the use of assumptions and estimations such as change in revenue, change in operating cost and change in gross profit. Discount rate of 10.1% (2022: 9.1%) is adopted in the impairment assessment, which was determined based on the market's weighted average cost of capital.

The results of the assessment indicated that impairment provision of HK$1,821,000 (2022: HK$10,703,000) on right-of-use assets (note 7) were made during the year. Impairment losses of HK$1,821,000 (2022: HK$10,703,000) were included in selling and marketing costs in the consolidated income statement.

Accounting policies of leases

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, ithas elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

7 RIGHT-OF-USE ASSETS *(continued)*

ACCOUNTING POLICIES OF LEASES *(continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(a) Variable lease payments

Estimation uncertainty arising from variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. There is a wide range of sales percentages applied for different stores. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(b) Extension and termination options

Extension and termination options are included in certain property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

8 INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
At 1st January	**2,775,582**	2,994,394
Additions	**7,612**	7,617
Transfer from property under development	**6,498**	–
Transfer from property, plant and equipment and right-of-use assets (note)	**946**	14,769
Transfer to property, plant and equipment and right-of-use assets	**(16,247)**	(54,301)
Fair value losses (note 23)	**(47,066)**	(57,110)
Exchange differences	**(40,667)**	(129,787)
At 31st December	**2,686,658**	2,775,582

Note:

The transfer comprised of property, plant and equipment to investment property of HK$72,000 (2022: The transfer comprised of property, plant and equipment and right-of-use assets to investment property of HK$4,592,000 and HK$1,568,000) and the related revaluation amount of HK$874,000 (2022: HK$8,609,000) which was included in the consolidated statement of comprehensive income for the year.

The Group's interests in investment properties are analyzed as follows:

	2023 HK$'000	2022 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**255,100**	253,000
Leases of between 10 and 50 years	**925,900**	915,700
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**1,455,803**	1,561,352
Freehold outside Hong Kong	**49,855**	45,530
	2,686,658	2,775,582

The periods of leases whereby the Group leases out its investment properties range from 1 month to 120 months.

Except for an investment property under construction located outside Hong Kong accounted for at cost amounting to HK$3,883,000 (2022: HK$1,376,000) as at 31st December 2023, independent valuations of the Group's investment properties were performed by the independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Jones Lang LaSalle Property Consultants Pte Ltd, to determine the fair values of the investment properties as at 31st December 2023 and 2022. The fair value losses were included in "Other losses" in income statement (note 23). The following table analyzes the investment properties carried at fair value, by valuation method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

8 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

	Fair value measurements at 31st December 2023 using		
Description	**Quoted prices in active markets for identical assets (Level 1) HK$'000**	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**
Recurring fair value measurements			
Investment properties:			
– Hong Kong	**–**	**–**	**1,181,000**
– China Mainland	**–**	**–**	**1,451,920**
– Singapore	**–**	**–**	**49,855**

	Fair value measurements at 31st December 2022 using		
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Hong Kong	–	–	1,168,700
– China Mainland	–	–	1,559,976
– Singapore	–	–	45,530

The Group' spolicy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

8 INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2023	**1,168,700**	**1,559,976**	**45,530**	**2,774,206**
Additions	**3,601**	**1,467**	**–**	**5,068**
Transfer from property under development	**–**	**6,498**	**–**	**6,498**
Transfer from property, plant and equipment and right-of-use assets	**–**	**946**	**–**	**946**
Transfer to property, plant and equipment and right-of-use assets	**–**	**(16,247)**	**–**	**(16,247)**
Fair value gains/(losses)	**8,699**	**(59,305)**	**3,540**	**(47,066)**
Exchange differences	**–**	**(41,415)**	**785**	**(40,630)**
At 31st December 2023	**1,181,000**	**1,451,920**	**49,855**	**2,682,775**

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2022	1,150,600	1,799,134	44,660	2,994,394
Additions	936	5,305	–	6,241
Transfer from property, plant and equipment and right-of-use assets	–	14,769	–	14,769
Transfer to property, plant and equipment and right-of-use assets	–	(54,301)	–	(54,301)
Fair value gains/(losses)	17,164	(75,144)	870	(57,110)
Exchange differences	–	(129,787)	–	(129,787)
At 31st December 2022	1,168,700	1,559,976	45,530	2,774,206

Valuation techniques

The valuations were based on:

(a) Income capitalization approach (term and reversionary method) taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties (Level 3 approach).

(b) Direct comparison approach which largely used unobservable inputs and made reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as time, locations and building quality (Level 3 approach).

8 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31st December 2023 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	**1,451,920**	Income capitalization approach (term and reversionary method)	Monthly rental value	RMB10–700/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	2.3% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	**1,181,000**	Income capitalization approach (term and reversionary method)	Monthly rental value	HK$94–131/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.15% to 4.4% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	**49,855**	Direct comparison approach	Price per square meter	S$7,214–9,158/$m^2$	The higher the assumed price per square meter, the higher the fair value

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

8 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3) *(continued)*

Description	Fair value at 31st December 2022 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	1,559,976	Income capitalization approach (term and reversionary method)	Monthly rental value	RMB25–900/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	2.3% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	1,168,700	Income capitalization approach (term and reversionary method)	Monthly rental value	HK$94–128/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.15% to 4.4% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	45,530	Direct comparison approach	Price per square meter	S$6,839–7,640/$m^2$	The higher the assumed price per square meter, the higher the fair value

8 INVESTMENT PROPERTIES *(continued)*

Accounting policies of investment properties

Investment properties, principally comprising leasehold land, land use right and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases is classified and accounted for as investment properties when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment properties are measured initially at their costs, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other losses.

For investment property under construction, in the event whereby the presumption for the Group to measure such property at fair value is rebutted because the fair value is not reliably measurable but expect so when construction is complete, the Group measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed, whichever is earlier.

Accounting policies in related to the transfer from owner-occupied property to investment property are disclosed in note 6. Right-of-use assets are transferred to investment property when there is change in use from owner-occupied property to held for long-term rental yields or for capital appreciation or both. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
At 1st January	**5,432**	6,947
Fair value loss transfer to equity	**–**	(1,002)
Disposal	**(5,500)**	–
Exchange differences	**68**	(513)
At 31st December	**–**	5,432

The unlisted equity investment was disposed at RMB5,000,000 during the year (2022: The fair value of the unlisted equity investment that was denominated in RMB and not traded in an active market was determined by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation fell within level 3 of the fair value measurement hierarchy, for details, please refer to note 3.3).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

10 SUBSIDIARIES

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest	
				2023	2022
Goldlion (China) Limited [2]	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$18,000,000 (2022: US$18,000,000)	100%	100%
Goldlion Clothes Making Company Limited [2]	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$6,934,000 (2022: US$6,934,000)	100%	100%
Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each (2022: 10,000 ordinary shares of S$100 each)	100%	100%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution of garments and property holding in Hong Kong, and licensing of brand name in the PRC	2 ordinary shares and 500,000 non-voting deferred shares (2022: 2 ordinary shares and 500,000 non-voting deferred shares)	100%	100%
Goldlion Group (B.V.I.) Limited [1]	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each (2022: 10,000 ordinary shares of US$1 each)	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares (2022: 2 ordinary shares)	100%	100%
Guangzhou Goldlion Investment Consultancy Company Limited [2]	PRC Limited liability company	Property holding in the PRC	HK$10,000,000 (2022: HK$10,000,000)	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US$1 each (2022: 50,000 ordinary shares of US$1 each)	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each (2022: 2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each)	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2023	Group's equity interest 2022
Meizhou Silver Dip Property Management Limited (2)	PRC Limited liability company	Property management in the PRC	RMB595,000 (2022: RMB595,000)	**100%**	100%
Shenyang Goldlion Commercial Mansion Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB70,000,000 (2022: RMB70,000,000)	**100%**	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares (2022: 2 ordinary shares)	**100%**	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares (2022: 2 ordinary shares)	**100%**	100%
Meizhou Goldlion Properties Development Limited (2)	PRC Limited liability company	Property holding and development in the PRC	HK$50,000,000 (2022: HK$50,000,000)	**100%**	100%
Guangzhou Silver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000 (2022: HK$1,000,000)	**100%**	100%
Shenyang Sliver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000 (2022: HK$1,000,000)	**100%**	100%
Guangzhou Goldlion City Properties Company Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB360,681,188 (2022: RMB360,681,188)	**100%**	100%
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share (2022: 1 ordinary share)	**100%**	100%
Meizhou Goldlion Leather Investment Company Limited (2)	PRC Limited liability company	Investment holding in the PRC	RMB5,100,000 (2022: RMB5,100,000)	**100%**	100%
Guangzhou Goldlion E-commerce Company Limited (2)	PRC Limited liability company	Distribution of garments in the PRC	HK$121,000,000 (2022: HK$121,000,000)	**100%**	100%
Goldlion (Meizhou) New Energy Company Limited (2)	PRC Limited liability company	Photovoltaic business engagement in the PRC	RMB6,000,000 (2022: nil)	**100%**	–

(1) Subsidiary held directly by the Company. Except for Goldlion Group (B.V.I.) Limited, other subsidiaries are held indirectly by the Company.

(2) These subsidiaries are wholly foreign-owned enterprises established in PRC. English names of these subsidiaries are direct translations of their Chinese registered names.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

11 PROPERTY UNDER DEVELOPMENT

The Group's interests in property under development are analyzed as follows:

	2023 HK$'000	2022 HK$'000
Land use rights	**55,447**	97,834
Development costs	**47,767**	670,104
	103,214	767,938

The property under development is located in Meixian Area, China Mainland. Under the Land Use Rights Grant Contract entered between the Meixian Bureau of Land and the Group on 24th January 2014, the delay in commencing and completion of construction works of the project after 18th June 2014 and 24th January 2017 respectively may be subject to a penalty. After taking into account of an independent legal advice, the Directors are of the view that the imposition of a penalty by the relevant authority is remote.

The amount of property under development HK$651,481,000 (2022: nil) was completed and transfer to completed properties during the year. The remaining amount expected to be completed and realized within the Group's normal operating cycle in next year (2022: next one to three years) is HK$103,214,000 (2022: HK$767,938,000).

Accounting policies of property under development

Property under development is stated at the lower of cost and net realizable value. Development cost of property comprises cost of land use rights, construction costs and professional fees incurred during the development period. Upon completion, the property is transferred to completed properties.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Property under development is classified as current asset unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

12 COMPLETED PROPERTIES

	2023 HK$'000	2022 HK$'000
Completed properties	**651,481**	–

The completed properties are located in Meixian Area, China Mainland.

Accounting policies of completed properties

Completed properties are initially measured at the carrying amount of property at the date of reclassification from property under development. Subsequently, completed properties are carried at the lower of cost and net realizable value. Net realizable value is determined by reference to management estimates based on prevailing market conditions.

13 INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**1,846**	1,657
Work in progress	**14,688**	12,876
Finished goods	**185,100**	190,045
	201,634	204,578

The cost of inventories recognized as expense and included in cost of sales amounted to HK$443,245,000 (2022: HK$475,055,000) (note 24).

Accounting policies of inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

14 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2023 HK$'000	2022 HK$'000
Financial assets at amortized cost		
Trade receivables (note 15)	99,729	125,091
Deposits and other receivables (note 15)	30,381	26,157
Restricted cash, bank deposits and cash and cash equivalents (note 17)	1,088,801	1,176,876
Financial assets at fair value through other comprehensive income (note 9)	–	5,432
Total	1,218,911	1,333,556
Financial liabilities, at amortized cost		
Trade payables (note 20)	34,605	47,251
Other payables	57,863	59,679
Lease liabilities	44,261	49,677
Total	136,729	156,607

15 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	100,808	127,286
Less: provision for impairment	(1,079)	(2,195)
Trade receivables – net	99,729	125,091
Purchase deposits	8,280	8,268
Prepayments	14,718	42,143
General deposits	15,010	13,433
Interest receivable	12,567	8,066
VAT recoverable	7,592	3,935
Others	2,804	4,658
Total of prepayments, deposits and other receivables	60,971	80,503

Prepayments, deposits and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

15 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(continued)

The Group' ssales are on cash on delivery or credit terms ranging from 30 days to 180 days after delivery. The ageing of the trade receivables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
1–30 days	**83,504**	101,618
31–90 days	**12,850**	17,827
Over 90 days	**4,454**	7,841
Trade receivables	**100,808**	127,286
Less: provision for impairment of trade receivables	**(1,079)**	(2,195)
Trade receivables – net	**99,729**	125,091

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers dispersed in China Mainland and Singapore. The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

The carrying amounts of the Group's trade receivables, prepayments, deposits and other receivables approximate their fair values and are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
Renminbi	**141,825**	189,549
Hong Kong dollar	**12,964**	9,948
Singapore dollar	**5,911**	6,097
	160,700	205,594

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

15 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Movements on the provision for impairment of trade receivables are as follows:

	2023 **HK$'000**	2022 HK$'000
At 1st January	**2,195**	1,420
(Reversal of provision)/provision for impairment of trade receivables, net	**(1,122)**	1,028
Receivables written off during the year as uncollectible	**–**	(234)
Exchange differences	**6**	(19)
At 31st December	**1,079**	2,195

The provision for impaired receivables was included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Accounting policies of trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 15 for further information about the Group's accounting for trade receivables and note 39.6(d) for a description of the Group's impairment policies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Contract assets		
Arising from the right to recover products from customers on settling right of return obligation	52,506	64,980
Contract liabilities		
Sales deposits received from customers in relation to pre-sale of properties	22,612	49,292
Receipt in advance from customers	27,564	28,289
Right of return obligation	112,600	144,801
Deferred revenue	48,353	46,736
	211,129	269,118

Revenue that was included in the contract liabilities balance at the beginning of the reporting period was fully recognized in the reporting period, except for the sales deposits received from customers in relation to pre-sale of properties amounting to HK$12, 492,000 (2022: HK$33,544,000).

All balances of contract liabilities at 31st December 2023 is expected to be recognized as revenue within one year (2022: Apart from the sales deposits received from customers in relation to pre-sale of properties amounting to HK$16,151,000 which is expected to be recognized as revenue during the year ending 31st December 2024).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

17 RESTRICTED CASH, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 HK$'000	2022 HK$'000
Cash at banks and in hand	**297,524**	258,079
Bank deposits with maturity less than 3 months	**59,575**	51,726
Cash and cash equivalents as stated in the consolidated cash flow statement	**357,099**	309,805
Restricted cash (note)	**10,208**	26,186
Bank deposits with maturity over 3 months	**721,494**	840,885
Restricted cash, bank deposits and cash and cash equivalents as stated in the balance sheet	**1,088,801**	1,176,876
Maximum exposure to credit risk	**1,088,777**	1,176,849

Note:

The balance represented the receipts from pre-sale of properties denominated in RMB and placed in designated bank accounts in China Mainland as at 31st December 2023, andwill be released in accordance with certain construction progress milestones.

Restricted cash, bank deposits and cash and cash equivalents in the balance sheet are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
Renminbi	**707,471**	862,564
Hong Kong dollar	**379,833**	303,129
Singapore dollar	**1,497**	11,183
	1,088,801	1,176,876

These bank balances and cash of the Group held in the PRC are subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

Accounting policies of cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

18 SHARE CAPITAL

	2023 Number of shares (thousands)	2023 Share capital HK$'000	2022 Number of shares (thousands)	2022 Share capital HK$'000
Ordinary shares, issued and fully paid:				
At 1st January	**978,436**	**1,096,939**	982,114	1,101,358
Share repurchased and cancelled during the year (note)	**(4,592)**	**(4,879)**	(3,678)	(4,419)
At 31st December	**973,844**	**1,092,060**	978,436	1,096,939

Note:

During the year, the Company repurchased its own shares from the market in total of 4,592,000 (2022: 3,678,000) ordinary shares at an aggregate consideration of HK$4,879,000 (2022: HK$4,419,000) (including the relevant transaction costs and expenses of HK$40,000 (2022: HK$35,000)). The average price of the repurchased shares was HK$1.054 (2022: HK$1.192) per share. These repurchased shares had been cancelled at the end of the reporting period.

Accounting policies of share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

19 RESERVES

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves[(i)] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2023	(34,204)	117,867	100,026	128,025	311,714	3,038,730	3,350,444
Profit for the year	–	–	–	–	–	116,164	116,164
Revaluation of property, plant and equipment upon reclassification to investment property	–	655	–	–	655	–	655
Change in fair value of financial assets at fair value through other comprehensive income	–	136	–	–	136	–	136
Currency translation differences	–	–	–	(71,528)	(71,528)	–	(71,528)
Total comprehensive income/(loss)	–	791	–	(71,528)	(70,737)	116,164	45,427
Appropriation to reserves	–	–	164	–	164	(164)	–
2022 final dividend paid	–	–	–	–	–	(48,922)	(48,922)
2023 interim dividend paid	–	–	–	–	–	(34,245)	(34,245)
Balance at 31st December 2023	(34,204)	118,658	100,190	56,497	241,141	3,071,563	3,312,704
Representing:							
Reserves	(34,204)	118,658	100,190	56,497	241,141	3,032,609	3,273,750
2023 final dividend proposed	–	–	–	–	–	38,954	38,954
	(34,204)	118,658	100,190	56,497	241,141	3,071,563	3,312,704

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

19 RESERVES *(continued)*

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves[(i)] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2022	(34,204)	112,162	99,394	358,008	535,360	2,988,022	3,523,382
Profit for the year	–	–	–	–	–	154,462	154,462
Revaluation of property, plant and equipment upon reclassification to investment property	–	6,457	–	–	6,457	–	6,457
Change in fair value of financial assets at fair value through other comprehensive income	–	(752)	–	–	(752)	–	(752)
Currency translation differences	–	–	–	(229,983)	(229,983)	–	(229,983)
Total comprehensive income/(loss)	–	5,705	–	(229,983)	(224,278)	154,462	(69,816)
Appropriation to reserves	–	–	632	–	632	(632)	–
2021 final dividend paid	–	–	–	–	–	(68,748)	(68,748)
2022 interim dividend paid	–	–	–	–	–	(34,374)	(34,374)
Balance at 31st December 2022	(34,204)	117,867	100,026	128,025	311,714	3,038,730	3,350,444
Representing:							
Reserves	(34,204)	117,867	100,026	128,025	311,714	2,989,808	3,301,522
2022 final dividend proposed	–	–	–	–	–	48,922	48,922
	(34,204)	117,867	100,026	128,025	311,714	3,038,730	3,350,444

(i) Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Trade payables (note (a))	**34,605**	47,251
Other payables and accruals (note (b))	**203,465**	253,928
Less: non-current portion (note (c))	**(30,995)**	(26,152)
Current portion	**172,470**	227,776

The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values.

Notes:

(a) The ageing of the trade payables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
1–30 days	**29,351**	40,130
31–90 days	**3,654**	4,760
Over 90 days	**1,600**	2,361
	34,605	47,251

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
Renminbi	**32,348**	43,004
Singapore dollar	**2,228**	4,206
Hong Kong dollar	**29**	41
	34,605	47,251

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(continued)*

Notes: *(continued)*

(b) Nature of other payables and accruals is as follows:

	2023 HK$'000	2022 HK$'000
Deposits received	54,970	56,959
Construction payables	76,947	128,351
Accruals and others	71,548	68,618
	203,465	253,928

(c) The non-current portion of other payables and accruals represents the deposits received from tenants which will be refunded in a period over twelve months from 31st December 2023.

Accounting policies of trade and other payables

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

21 DEFERRED INCOME TAX

	2023 HK$'000	2022 HK$'000
Deferred income tax assets	(55,873)	(57,478)
Deferred income tax liabilities	375,325	399,376
	319,452	341,898

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

	2023 HK$'000	2022 HK$'000
At 1st January	341,898	400,794
Credited to consolidated income statement (note 30)	(13,731)	(31,965)
Charged to other comprehensive income	273	1,902
Exchange differences	(8,988)	(28,833)
At 31st December	319,452	341,898

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

21 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$939,686,000 (2022: HK$941,864,000), of which HK$637,950,000 (2022: HK$636,123,000), HK$3,666,000 (2022: HK$16,105,000) and HK$86,285,000 (2022: HK$77,851,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC and Singapore, respectively, to carry forward against future taxable income. Out of the unrecognized tax losses, HK$936,020,000 (2022: HK$925,759,000) have no expiry date and the remaining amount will expire at various dates up to and including 2028.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Accelerated taxation depreciation		Change in fair values		Dividend withholding tax		Others		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
At 1st January	**144,846**	155,847	**231,175**	266,699	**62,216**	61,634	**24,567**	27,770	**462,804**	511,950
Exchange differences	**(4,268)**	(12,527)	**(5,893)**	(18,856)	**(1,385)**	(3,884)	**(652)**	(2,084)	**(12,198)**	(37,351)
Charged/(credited) to consolidated income statement	**785**	1,526	**(14,740)**	(18,570)	**1,369**	4,466	**(3,417)**	(1,119)	**(16,003)**	(13,697)
Charged to other comprehensive income	**–**	–	**273**	1,902	**–**	–	**–**	–	**273**	1,902
At 31st December	**141,363**	144,846	**210,815**	231,175	**62,200**	62,216	**20,498**	24,567	**434,876**	462,804

Deferred income tax assets

	Provisions		Others (note)		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
At 1st January	**(59,905)**	(54,715)	**(61,001)**	(56,441)	**(120,906)**	(111,156)
Exchange differences	**1,591**	4,200	**1,619**	4,318	**3,210**	8,518
(Credited)/charged to consolidated income statement	**(2,252)**	(9,390)	**4,524**	(8,878)	**2,272**	(18,268)
At 31st December	**(60,566)**	(59,905)	**(54,858)**	(61,001)	**(115,424)**	(120,906)

Note: The amount mainly included the deferred income tax assets relating to the right of return obligation totalling HK$38,468,000 (2022: HK$46,525,000) at year end.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

22 LEASE LIABILITIES

	2023	2022
	HK$'000	HK$'000
Current liabilities	**21,432**	18,629
Non-current liabilities	**22,829**	31,048
	44,261	49,677

The total cash payment for lease for the year ended 31st December 2023 was HK$105,214,000 (2022: HK$82,627,000).

The Group's leasing activities and how these are accounted for

The Group leases various retail spaces and premises, warehouses, offices, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options (note 7(b)). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group also leases certain land use rights in China Mainland. These land use rights are leased for a period of between 40 and 70 years on which plants and buildings of the Group are situated on.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes except for the land use rights in China Mainland.

Future aggregate minimum lease payment under non-cancellable short-term leases amounted to HK$9,157,000 (2022: HK$10, 517,000).

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

23 OTHER LOSSES

	2023	2022
	HK$'000	HK$'000
Fair value losses on investment properties	**47,066**	57,110

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

24 EXPENSES BY NATURE

	2023 HK$'000	2022 HK$'000
Cost of inventories sold	**443,245**	475,055
Cost of properties sold	**66,244**	97,293
Provision for impairment of inventories	**24,807**	33,813
Direct operating expenses arising from investment properties that generated rental income	**37,684**	38,483
Expenses relating to:		
– short-term leases	**22,309**	24,622
– variable lease payments	**61,588**	39,836
Depreciation of property, plant and equipment (note 6)	**26,701**	22,577
Depreciation of right-of-use assets (note 7)	**18,788**	18,524
Impairment of right-of-use assets (note 7)	**1,821**	10,703
Staff costs including directors' emoluments (note 25)	**224,016**	203,617
Auditors' remuneration:		
– audit services	**3,822**	3,407
– non-audit services	**1,022**	852
Advertising and promotion expenses	**111,192**	98,235
(Reversal of provision)/provision for impairment of trade receivables, net (note 15)	**(1,122)**	1,028
Net exchange loss	**713**	1,727
Other expenses	**139,786**	136,119
	1,182,616	1,205,891
Representing:		
Cost of sales	**572,941**	645,919
Selling and marketing costs	**447,488**	406,197
Administrative expenses	**162,187**	153,775
	1,182,616	1,205,891

25 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2023 HK$'000	2022 HK$'000
Staff costs		
– Wages and salaries	**181,201**	162,248
– Retirement benefit costs (note 26)	**42,815**	41,369
	224,016	203,617

Accounting policies of employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(b) Profit sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the Group's contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under these schemes. The contributions are charged to the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

26 RETIREMENT BENEFIT COSTS

	2023 HK$'000	2022 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	**814**	532
Singapore employees (note (b))	**1,622**	1,503
China Mainland employees (note (c))	**40,379**	39,334
	42,815	41,369

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,500, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$814,000 (2022: HK$532,000) without any forfeited contributions (2022: nil). Contributions totalling HK$85,000 (2022: HK$88,000) payable to the MPF scheme at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2022: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$1,622,000 (2022: HK$1,503,000). Contributions totalling HK$245,000 (2022: HK$217,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2022: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contribution payable (2022: nil) to the municipal governments at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

27 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the remuneration of every Director and the Chief Executive for the year ended 31st December 2023:

	2023					
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits [1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Director						
Madam Wong Lei Kuan [2]	–	743	446	50	–	1,239
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Ngan On Tak	360	–	–	–	–	360
Ms. Lo Wing Sze [3]	269	–	–	–	–	269
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	5,642	4,028	–	18	9,688

	2022					
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits [1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Director						
Madam Wong Lei Kuan	–	1,951	1,186	205	–	3,342
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Ngan On Tak	360	–	–	–	–	360
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	4,984	4,744	27	18	9,773

Notes:

(1) Estimated money value of other benefits includes medical expenses reimbursement.

(2) Madam Wong Lei Kuan retired on 19th May 2023.

(3) Ms. Lo Wing Sze was appointed on 3rd April 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

27 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2022: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2022: nil).

(d) Consideration provided to third parties for making available Directors' services

During the year, no consideration was provided to or receivable by third parties for making available Directors' services (2022: nil).

(e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2022: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

28 EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes one (2022: two) Director(s) whose emoluments are reflected in the analysis presented in note 27(a) above. The emoluments payable to the remaining four (2022: three) individuals during the year are as follows:

	2023 **HK$'000**	2022 HK$'000
Basic salaries, housing and other allowances	**9,005**	7,395
Bonuses	**2,678**	1,919
Retirement benefit costs	**50**	74
	11,733	9,388

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HK$1,000,001 – HK$1,500,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	1

(b) Other than disclosed in notes 27(a) and 28(a) above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

(c) Emoluments of senior management

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 27(a) and 28(a) respectively, the emoluments of the senior management fell within the following bands:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

29 INTEREST INCOME AND INTEREST EXPENSE

	2023 HK$'000	2022 HK$'000
Interest income:		
– Interest income from bank deposits	**27,402**	22,725
Interest expense:		
– Interest expense on lease liabilities	**(1,743)**	(1,293)
	25,659	21,432

Accounting policies of interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

30 INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Hong Kong profits tax:		
Current year	**13**	81
Taxation outside Hong Kong:		
Current year	**24,297**	51,289
Under-provision in prior year	**690**	273
	24,987	51,562
Deferred income tax (note 21)	**(13,731)**	(31,965)
Total income tax expense	**11,269**	19,678

Hong Kong profits tax rate has been provided at the rate of 16.5%(2022: 16.5%) on the estimated assessable profit for the year.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the year at the rate of 25% (2022: 25%). For subsidiaries that qualify for the inclusive tax reduction policy for small and micro enterprises, in accordance with the existing policy of the PRC, taxation on profits generated in the PRC has been calculated at a preferential rate of 5% (2022: 2.5% to 5%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

30 INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2023 HK$'000	2022 HK$'000
Profit before income tax	**127,433**	174,140
Calculated at a tax rate of 16.5% (2022: 16.5%)	**21,026**	28,733
Effect of different taxation rates in other countries	**(8,901)**	(4,542)
Income not subject to tax	**(11,089)**	(18,147)
Expenses not deductible for tax purposes	**3,015**	3,333
Utilization of unrecognized tax losses	**(328)**	(1,399)
Tax losses not recognized	**5,649**	6,996
Withholding tax on profits retained by the PRC subsidiaries	**1,369**	4,466
Others	**528**	238
Total income tax expense	**11,269**	19,678

Corporate withholding income tax on dividend distribution

Under the CIT Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividends which arise from profits of foreign investment enterprises earned after 1st January 2008 at a tax rate of 5% (2022: 5%).

Accounting policies of current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

30 INCOME TAX EXPENSE *(continued)*

Accounting policies of current and deferred income tax *(continued)*

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming the properties will be recovered entirely through use for investment properties in the PRC and through sale for investment properties in other region.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

31 DIVIDENDS

	2023 **HK$'000**	2022 HK$'000
2022 interim dividend, paid, of 3.5 HK cents per ordinary share	**–**	34,374
2022 final dividend, paid, of 5.0 HK cents per ordinary share	**–**	48,922
2023 interim dividend, paid, of 3.5 HK cents per ordinary share	**34,245**	–
2023 final dividend, proposed, of 4.0 HK cents per ordinary share (note)	**38,954**	–
	73,199	83,296

Note:

At a meeting held on 19th March 2024, the Directors declared a final dividend of 4.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

32 EARNINGS PER SHARE

(a) Basic

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

	2023	2022
Profit attributable to owners of the Company (HK$'000)	**116,164**	154,462
Weighted average number of ordinary shares in issue	**978,385,013**	981,690,335
Basic earnings per share (HK cents)	**11.87**	15.73

(b) Diluted

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

33 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2023 HK$'000	2022 HK$'000
Profit before income tax	**127,433**	174,140
Adjustments for:		
– Depreciation of property, plant and equipment (note 6)	**26,701**	22,577
– Depreciation of right-of-use assets (note 7)	**18,788**	18,524
– Impairment of right-of-use assets (note 7)	**1,821**	10,703
– Provision for impairment of inventories	**24,807**	33,813
– Interest income (note 29)	**(27,402)**	(22,725)
– Interest expense (note 29)	**1,743**	1,293
– (Gains)/losses on disposals of property, plant and equipment (note 33(a)(i))	**(522)**	12
– Gains on disposal of right-of-use assets	**(330)**	(12)
– Fair value losses on investment properties	**47,066**	57,110
– (Reversal of provision)/provision for impairment of trade receivables, net (note 15)	**(1,122)**	1,028
Changes in working capital:		
– Property under development	**(29,065)**	(104,936)
– Inventories	**(15,526)**	(25,706)
– Trade receivables, prepayments, deposits, other receivables and contract assets	**62,992**	11,997
– Trade payables, other payables, accruals and contract liabilities	**(121,293)**	(114,858)
Net cash generated from operations	**116,091**	62,960

Note:

(i) Disposals of property, plant and equipment

	2023 HK$'000	2022 HK$'000
Net book amount	**877**	111
Gains/(losses) on disposals of property, plant and equipment	**522**	(12)
Proceeds received	**1,399**	99

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

33 CASH FLOW INFORMATION *(continued)*

(b) Major non-cash financing activities

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$15,788,000 and HK$15,593,000 (2022: HK$43,909,000 and HK$43,352,000), respectively, in respect of lease arrangements for buildings and equipment and disposals of right-of-use assets and lease liabilities of HK$97,000 and HK$427,000, respectively, in respect of lease arrangements for buildings and equipment (2022: HK$116,000 and HK$128,000, respectively, in respect of lease arrangements for equipment).

(c) Reconciliation of liabilities arising from financing activities

Lease liabilities

	2023 HK$'000	2022 HK$'000
At 1st January	**49,677**	25,156
Changes from financing cash flows	**(19,574)**	(16,876)
Additions	**15,593**	43,352
Disposal	**(427)**	(128)
Exchange differences	**(1,008)**	(1,827)
At 31st December	**44,261**	49,677

34 GUARANTEES OF MORTGAGE FACILITIES

	2023 HK$'000	2022 HK$'000
Guarantees in respect of mortgage facilities for certain property buyers	**20,364**	77,318

These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) the banks received the corresponding real estate ownership certificates as custody; or (ii) the satisfaction of mortgaged loans by the property buyers.

The Directors of the Company consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

35 COMMITMENTS

(a) Capital commitments

Capital expenditure of the Group at the balance sheet date but not yet incurred is as follows:

	2023 HK$'000	2022 HK$'000
Property, plant and equipment		
Contracted but not provided for	**17,929**	8,087
Investment properties		
Contracted but not provided for	**3,169**	2,422

(b) Commitments for property development expenditure and land use rights

	2023 HK$'000	2022 HK$'000
Contracted but not provided for	**10,699**	134,339
Authorized but not contracted for (note 38)	**511,000**	532,000
	521,699	666,339

(c) Future aggregate minimum lease payments receivable under non-cancellable leases

	2023 HK$'000	2022 HK$'000
Rental receivables		
– not later than one year	**143,047**	132,778
– later than one year and not later than five years	**200,447**	154,297
– later than five years	**11,207**	18,447
	354,701	305,522

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

36 RELATED PARTY TRANSACTIONS

The Directors consider the immediate parent company and the ultimate parent company to be Top Grade Holdings Limited and Hin Chi Family Management Limited, which are incorporated in the British Virgin Islands and Hong Kong respectively. Top Grade Holdings Limited is interested in 62.95% of the Company's issued shares. Hin Chi Family Management Limited, as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited. The Company is ultimately controlled by the Tsang Family (comprising Mr. Tsang Chi Ming, Ricky, and the spouse and other direct descendants of the late Dr. Tsang Hin Chi) which, together with 0.14% of the Company's issued shares held by Mr. Tsang Chi Ming, Ricky personally, and 5.53% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.62%o f the Company's issued shares. The remaining 31.38%o f the issued shares are widely held.

In addition to those disclosed elsewhere in the financial statements, the following significant transactions were carried out with related parties:

(a) Purchases of services

	2023 HK$'000	2022 HK$'000
Professional fees paid to a related company	**320**	320

Note:

Equitas Capital Limited acted as financial advisor to the Group for which a professional fees of HK$320,000 was paid by the Company during the year. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

(b) Key management compensation

	2023 HK$'000	2022 HK$'000
Salaries, directors' emoluments and other short-term employee benefits	**24,251**	25,929
Retirement benefit costs	**118**	110
	24,369	26,039

(c) Year-end balances arising from purchases of services

	2023 HK$'000	2022 HK$'000
Accruals		
– Equitas Capital Limited	**160**	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

37 BALANCE SHEET OF THE COMPANY

		As at 31st December 2023 HK$'000	As at 31st December 2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,351	–
Investment in a subsidiary		10	10
		2,361	10
Current assets			
Amount due from a subsidiary		1,259,880	1,167,110
Prepayments		149	694
Cash and cash equivalents		12,752	97,250
		1,272,781	1,265,054
Total assets		1,275,142	1,265,064
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1,092,060	1,096,939
Retained earnings	note (a)	181,951	166,965
Total equity		1,274,011	1,263,904
LIABILITIES			
Current liabilities			
Accruals		1,131	1,160
Total equity and liabilities		1,275,142	1,265,064

The balance sheet of the Company was approved by the Board of Directors on 19th March 2024 and was signed on its behalf by:

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Mr. Li Ka Fai, David
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

37 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK$'000
At 1st January 2023	**166,965**
2022 final dividend paid	**(48,922)**
2023 interim dividend paid	**(34,245)**
Profit for the year	**98,153**
At 31st December 2023	**181,951**
Representing:	
Reserves	**142,997**
2023 final dividend proposed	**38,954**
	181,951
At 1st January 2022	174,334
2021 final dividend paid	(68,748)
2022 interim dividend paid	(34,374)
Profit for the year	95,753
At 31st December 2022	166,965
Representing:	
Reserves	118,043
2022 final dividend proposed	48,922
	166,965

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

38 SUBSEQUENT EVENTS

On 13th January 2022, Goldlion (Far East) Limited (" Goldlion Far East") an indirect wholly-owned subsidiary of the Company, entered into an Investment Agreement with Guangzhou Airport Economic Zone Management Committee ("Guangzhou Committee"). Pursuant to the Investment Agreement, Goldlion Far East has conditionally agreed to invest in the Project through the Project Company, an indirect wholly-owned subsidiary of the Company, with an investment of no less than RMB330 million after the land use rights over the Project Land has been obtained successfully by the Project Company. The Investment Agreement shall lapse and be of no further effect if the Project Company fails to obtain the Project Land within two years from the date of the Investment Agreement.

As the Project Company has not obtained the Project Land within two years from the date of the Investment Agreement because the Guangzhou Committee was not able to identify a piece of land that the Group considered appropriate for proceeding with the Project, the Investment Agreement automatically lapsed on 13th January 2024 and the Project will not proceed. Pursuant to the Investment Agreement, all obligations of the Goldlion Far East and the Guangzhou Committee under Investment Agreement shall cease and terminate, and none of the parties shall have any claim whatsoever against the other party in relation to the Investment Agreement. The lapse of the Investment Agreement will not have any material adverse impact on the business, operation and financial position of the Group.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

39.1 Subsidiaries

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

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(continued)

39.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, who make strategic decisions.

39.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

Translation differences on non-monetary assets such as equities classified as FVOCI are recognized in other comprehensive income ("OCI").

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in OCI.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(continued)*

39.3 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in OCI. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, aspart of the gain or loss on sale.

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

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in the income statement.

39.4 Impairment of investments in subsidiaries and non-financial assets

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

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

39.5 Equity instruments

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(continued)*

39.6 Financial assets

(a) Classification

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

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortized cost.

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(continued)*

39.6 Financial assets *(continued)*

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 "Financial instruments" ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

39.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

39.8 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 "Revenue from contracts with customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(continued)

39.9 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

39.10 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to owners of the Company	**116,164**	154,462	221,043	148,286	306,028
Assets and liabilities					
Total assets	**5,281,756**	5,490,787	5,790,323	5,290,467	5,181,108
Total liabilities	**(876,992)**	(1,043,404)	(1,165,583)	(870,229)	(957,734)
Total equity	**4,404,764**	4,447,383	4,624,740	4,420,238	4,223,374

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