HONG KONG FERRY (HOLDINGS) COMPANY LIMITED
香 港 小 輪 (集 團) 有 限 公 司

(Stock Code: 50)

ANNUAL REPORT 2023

20 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

CONTENTS

Forward-looking Statements

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Lee Gabriel
(appointed on 3 January 2023)

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald
(appointed on 20 March 2023)

AUDIT COMMITTEE

Mr. Ho Hau Chong, Norman *(Chairman)*
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald
(appointed on 20 March 2023)

REMUNERATION COMMITTEE

Mr. Wu King Cheong *(Chairman)*
Dr. Lam Ko Yin, Colin
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina

NOMINATION COMMITTEE

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

GROUP GENERAL MANAGER

Mr. Lee Gabriel

COMPANY SECRETARY

Mr. Chow Tung Ming
(appointed on 8 December 2023)
Mr. Yuen Wai Kuen, Peter
(retired on 8 December 2023)

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Bank, Limited

REGISTERED OFFICE

98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

Telephone : (852) 2394 4294
Facsimile : (852) 2786 9001
Website : www.hkf.com
E-Mail : hkferry@hkf.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 50

SHARE REGISTRAR

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

DIRECTORS' PROFILE

Executive Directors

Dr. Lam Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon), DBA (Hon), DSocSc (Hon)*, aged 72, was appointed on 1 July 1986, is the Chairman of the Company. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Dr. Lam holds a Bachelor of Science (Honours) degree from The University of Hong Kong and has over 50 years' experience in banking and property development. He is also a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lam is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research, a Director of Fudan University Education Development Foundation, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. Dr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015, a degree of Doctor of Business Administration (Honoris Causa) by The Hong Kong University of Science and Technology in 2021 and a degree of Doctor of Social Sciences (Honoris Causa) by The University of Hong Kong in 2023. Dr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.

Dr. Lam Ko Yin, Colin
Chairman

DIRECTORS' PROFILE (Continued)

Executive Directors (Continued)

Mr. Li Ning

Mr. Li Ning, *BSc, MBA*, aged 67, was appointed on 20 October 1989, is an Executive Director of the Company. He is also a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Li is also an Executive Director of Henderson Investment Limited, a listed public company. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr. Li is the son-in-law of Dr. Lee Shau Kee.

Mr. Lee Gabriel

Mr. Lee Gabriel, *MHKIoD, CMILT*, aged 45, was appointed as the Group General Manager of the Company on 4 October 2021 and an Executive Director of the Company on 3 January 2023. He has over 20 years of experience in business management. He is also the Director – Corporate Affairs and Communications of Union Medical Centre Limited, a company ultimately controlled by the private family trusts of Dr. Lee Shau Kee, a deemed substantial shareholder of the Company by virtue of Part XV of the Securities and Futures Ordinance. Mr. Lee served as an executive director of EC Healthcare, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since its listing in March 2016, and acted as its chief operating officer since April 2014, and tendered his resignation from such positions with effect from 1 October 2021. Prior to joining EC Healthcare, Mr. Lee commenced his career at Cathay Pacific Airways Limited ("Cathay Pacific"), an international airline listed on the Main Board of the Stock Exchange, and held various managerial roles in Cathay Pacific in Hong Kong, Shanghai and Beijing, including but not limited to overseeing the Hong Kong International Airport operations and the cargo operations of the airline in 14 cities in the People's Republic of China, as well as being seconded to Air China Cargo Company Limited (中國國際貨運航空有限公司) in Beijing where he served as the assistant president of its commercial (sales and marketing) division.

Mr. Lee holds a bachelor of business administration degree in accounting and finance from The University of Hong Kong and attended the SWIRE Management Programme organised by INSEAD Graduate Business School in Singapore. Mr. Lee also attended the SWIRE Accounting and Control Programme and SWIRE Advanced Management Programme organised by INSEAD Graduate Business School in Fontainebleau, France. Mr. Lee is a member of The Hong Kong Institute of Directors and a chartered member of The Chartered Institute of Logistics and Transport in Hong Kong.

DIRECTORS' PROFILE (Continued)

Non-executive Directors

Mr. Au Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, FCIB, FHKIB*, aged 77, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au was a well-known banker in Hong Kong and had more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. He was an executive director and the chief financial officer of Henderson Land Development Company Limited ("Henderson Land"), a listed public company, from December 2005 to June 2011. He stepped down from the position of chief financial officer and was re-designated as a non-executive director of Henderson Land on 1 July 2011. On 18 December 2012, Mr. Au was re-designated as an independent non-executive director of Henderson Land until his retirement on 2 June 2015. In December 2018, Mr. Au rejoined Henderson Land as an independent non-executive director. Currently, he is an independent non-executive director of Henderson Investment Limited, Wharf Real Estate Investment Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr. Au is a Fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Au Siu Kee, Alexander

Mr. Lau Yum Chuen, Eddie, aged 77, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 50 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Miramar Hotel and Investment Company, Limited, a listed public company. He previously served as an Executive Director of Henderson Land Development Company Limited, a listed public company, until his retirement on 8 June 2020.

Mr. Lau Yum Chuen, Eddie

DIRECTORS' PROFILE (Continued)

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA*, aged 68, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 41 years of experience in management and property development. He is also an Executive Director of Miramar Hotel and Investment Company, Limited and Vision Values Holdings Limited, as well as an Independent Non-executive Director of Shun Tak Holdings Limited and SJM Holdings Limited, all of which are listed public companies. Mr. Ho resigned as an independent non-executive director of Lee Hing Development Limited on 19 October 2022, the shares of which were listed on The Stock Exchange of Hong Kong Limited until they were delisted on 18 October 2022.

Ms. Wong Yu Pok, Marina

Ms. Wong Yu Pok, Marina, *JP*, aged 75, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. She is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong was a member of a number of Government advisory and other bodies in Hong Kong, including The Dental Council of Hong Kong up to August 2021 and was the Chairman of The Applied Research Council up to February 2017. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, Luk Fook Holdings (International) Limited, Kerry Logistics Network Limited and SJM Holdings Limited, all of which are listed public companies in Hong Kong.

DIRECTORS' PROFILE (Continued)

Independent Non-executive Directors (Continued)

Mr. Wu King Cheong, *BBS, JP*, aged 73, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. He is the Life Honorary Chairman of The Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. Mr. Wu is currently an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.

Mr. Wu King Cheong

Mr. Chan Wai Yan, Ronald, aged 43, was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee of the Company on 20 March 2023. He is also an independent non-executive director of Powerlong Commercial Management Holdings Limited and Lee & Man Paper Manufacturing Limited, all of which are listed public companies in Hong Kong. Mr. Chan founded Chartwell Capital Limited, an investment management company, in October 2007 and is currently the chief investment officer. He has been its responsible officer for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance since November 2008 and February 2008, respectively. He is a member of the Board of Directors of the Financial Services Development Council. From July 2016 to July 2022, he served as a member of the Listing Committee of the Main Board and GEM of the Stock Exchange. From December 2017 to December 2021, Mr. Chan was an independent non-executive director of Wine's Link International Holdings Limited, whose shares are listed on GEM of the Stock Exchange. Mr. Chan obtained a Bachelor of Science degree in finance and accounting from the Leonard N. Stern School of Business at New York University in the United States in May 2002.

Mr. Chan Wai Yan, Ronald

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Wong Kam Chuen, Terence	General Manager – Finance and Accounts
Mr. Chow Tung Ming	Company Secretary

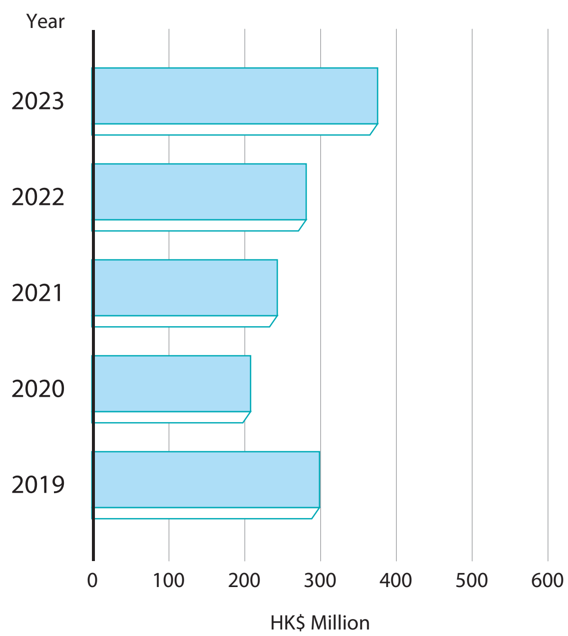
Mr. Leung Shu Keung, Brian, *BA, CIA, CRMA, CFE, PgD*, aged 62, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 34 years of experience in accounting, auditing and management assurance.

Mr. Wong Kam Chuen, Terence, *MCF, BA(Hons), FCCA, CPA, ACG, HKACG*, aged 55, has been the General Manager of Finance and Accounts Department of the Company since 2022. He joined the Company in 1995 and has over 20 years of experience in accounting, auditing and corporate finance.

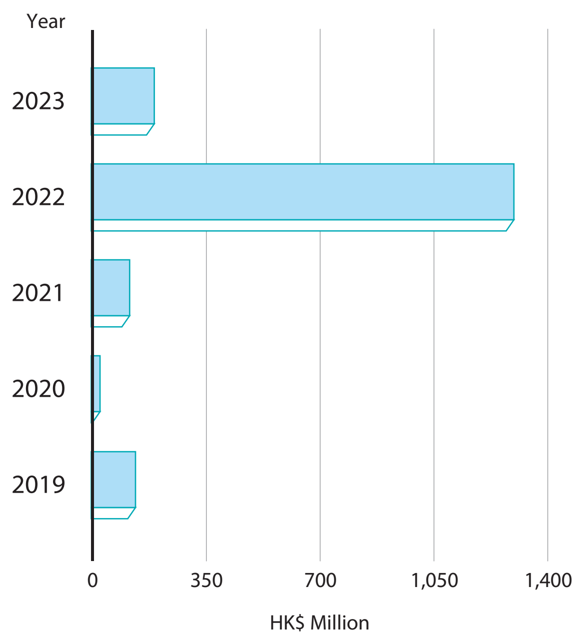
Mr. Chow Tung Ming, *BBA(Law), LLB, Solicitor, FRM, CFA*, aged 41, joined the Company in October 2023 and has been appointed as the Company Secretary of the Company since 8 December 2023. Mr. Chow is a solicitor of the High Court of Hong Kong and has more than 14 years of legal experience, particularly in corporate finance, regulatory compliance, company secretarial and commercial areas.

		2023	2022	Change
Revenue	*HK$M*	**375**	281	+33%
Profit attributable to shareholders	*HK$M*	**190**	1,299	–85%
Dividends	*HK$M*	**89**	445	–80%
Shareholders' funds	*HK$M*	**6,971**	7,218	–3.4%
Basic earnings per share	*HK$*	**0.53**	3.65	–85%
Dividend per share	*HK$*	**0.25**	1.25	–80%
Dividend cover	*Times*	**2.1**	2.9	–28%
Return on equity	*%*	**2.7**	18.0	–85%
Net assets per share	*HK$*	**19.55**	20.26	–3.5%

Group Revenue



Profit attributable to shareholders



THE ROYALE

(8 CASTLE PEAK ROAD – CASTLE PEAK BAY, TUEN MUN) JOINT VENTURE DEVELOPMENT PROJECT

The Group has already delivered to buyers the 1,746 residential units sold. The remaining 35 residential units and parking spaces will be offered for sale in batches successively.

METRO HARBOUR PLAZA

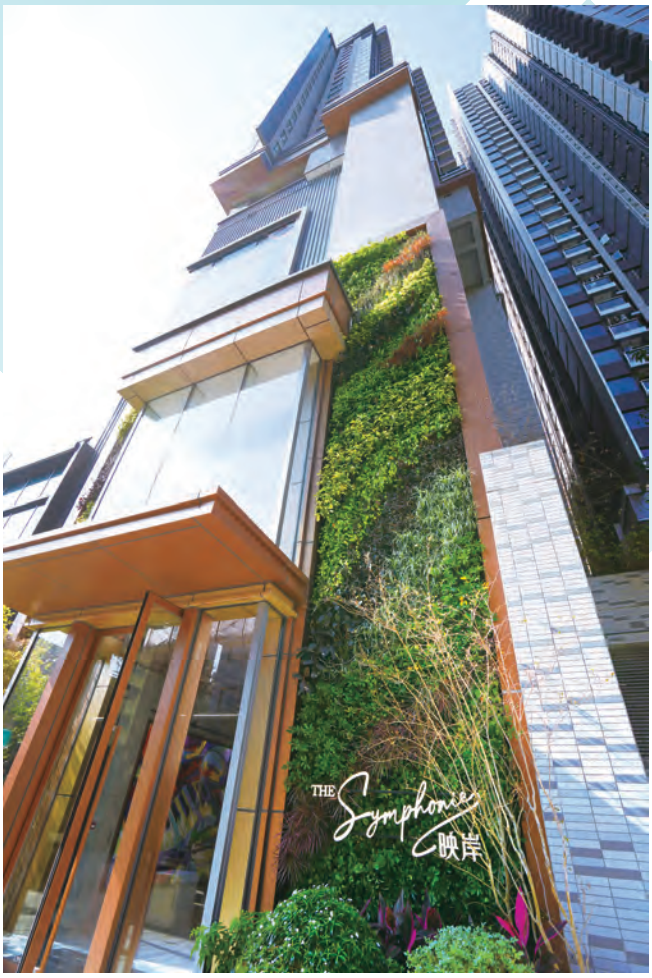
(8 FUK LEE STREET, TAI KOK TSUI)

Covering over 250,000 square feet, Metro Harbour Plaza is located in the heart of West Kowloon, the occupancy rate was 94%.

THE SYMPHONIE

(280 TUNG CHAU STREET, CHEUNG SHA WAN) REDEVELOPMENT PROJECT

The Group's redevelopment project "The Symphonie" in Cheung Sha Wan provides a residential gross floor area of about 100,698 square feet. The superstructure works were completed and the certificate of compliance was issued in November 2023. The interior fitting-out works have almost been finished. Preparations for strata sale will soon be in place. Due to the current strong demand in the rental market in Hong Kong, rental yield rates have increased. Some units may also be used for rental purposes to increase the Group's regular income. However, the rental-to-sale ratio may vary depending on market conditions.



I am pleased to present to the shareholders on behalf of the Board my report on the business results of the Group for the year ended 31 December 2023.

Dr. Lam Ko Yin, Colin
Chairman

BUSINESS RESULTS

During the year under review, the Group's consolidated profit after taxation for the year ended 31 December 2023 decreased by approximately 86% to approximately HK$186 million as compared with the same period of 2022. The decrease in profit was mainly due to the revenue from the sale of the residential units under the joint venture development project known as "The Royale" being recognised by the Group in 2022. The revenue for the year was mainly derived from the rental income from shops and commercial arcades as well as interest income from banks. Earnings per share for the year were HK$0.53 (2022: HK$3.65).

DIVIDENDS

The Board of Directors (the "Board") has recommended the payment of a final dividend for the year ended 31 December 2023 of HK15 cents per share (2022: final dividend and special dividend of HK15 cents per share and HK$1.00 per share respectively). Subject to shareholders' approval at the annual general meeting to be held on Friday, 31 May 2024, the final dividend will be paid on Monday, 24 June 2024 to shareholders whose names appear on the Register of Members of the Company on Friday, 7 June 2024. The final dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK25 cents for the full year.

BUSINESS REVIEW

During the year under review, the Group's operating profit was mainly derived from the rental income from shops and commercial arcades as well as interest income from banks.

Property Development and Investment Operations

In 2023, the rental income arising from the commercial arcades of the Group amounted to approximately HK$122 million. As at 31 December 2023, the commercial arcades of Shining Heights and Metro6 were fully let. The occupancy rate of the commercial arcade of The Spectacle was 89%. The occupancy rates of commercial arcades of Metro Harbour Plaza and Green Code Plaza were 94% and 99% respectively.

BUSINESS REVIEW (Continued)

The Royale (8 Castle Peak Road – Castle Peak Bay, Tuen Mun) Joint Venture Development Project

The Group has already delivered to buyers the 1,746 residential units sold. The remaining 35 residential units and parking spaces will be offered for sale in batches successively.

The Symphonie (280 Tung Chau Street, Cheung Sha Wan) Redevelopment Project

The Group's redevelopment project "The Symphonie" in Cheung Sha Wan provides a residential gross floor area of about 100,698 square feet. The superstructure works were completed and the certificate of compliance was issued in November 2023. The interior fitting-out works have almost been finished. Preparations for strata sale will soon be in place. Due to the current strong demand in the rental market in Hong Kong, rental yield rates have increased. Some units may also be used for rental purposes to increase the Group's regular income. However, the rental-to-sale ratio may vary depending on market conditions.

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a deficit of HK$7.6 million, an increase of HK$2.2 million as compared to the year 2022. The increase in fare for operating the "North Point – Kwun Tong" dangerous goods vehicular ferry service was approved by the Transport Department on 28 January 2024. It is expected that the operation loss will be alleviated.

Healthcare, Medical Aesthetic and Beauty Services

Our "AMOUR" medical aesthetic clinic located at Mira Place, Tsim Sha Tsui, with a floor area of about 12,000 square feet, was opened in August 2022. Staffed by registered doctors, the clinic is equipped with devices and drugs certified by the European Union and the United States Food and Drug Administration and pharmaceutical companies, offering high-quality and personalized medical aesthetic services. The number of customers has increased continuously since the opening. In December 2023, the turnover grew by eight times compared to January of the same year, reaching the monthly figure of HK$2.76 million. Since the medical aesthetic and beauty services businesses are still in the initial development stage, widespread market recognition takes time. Although the turnover grew significantly during the year and HK$8.1 million was recorded as payments received for prepaid packages (which has not been included in the income statement of the year under review), the medical aesthetic and beauty services businesses still incurred a loss of HK$30 million.

The Royale

The Group is gradually expanding its medical specialties businesses. In addition to collaborating with ICON, an international cancer care medical group, to set up a cancer centre at H Zentre in Tsim Sha Tsui, the Group has also established in the same building the "Total HealthCare Specialists Centre", which provides specialised services in cardiology, surgery, orthopedics, plastic surgery, rheumatology and urology. The medical specialties businesses have already achieved a net profit since the mid-year opening.

During the year under review, the Group planned to develop the pain treatment businesses. Apart from the clinic at Mira Place, Tsim Sha Tsui, a new branch located at Metro Harbour Plaza, Tai Kok Tsui will commence business in April 2024. The Group will introduce advanced medical equipment in conjunction with professional registered chiropractors and sports therapists, to design personalised treatment plans for pain-suffering patients in order to restore their bodies to a balanced and healthy state.

PROSPECTS

In July 2023, the US Federal Reserve set the federal fund target interest rate at 5.25%–5.5%, and the range has remained unchanged until now. Although the US inflation rate has receded, it is still uncertain when the Federal Reserve will start cutting interest rates. The Hong Kong Dollar prime rate has maintained at a high level, following the US interest rate. In the Mainland, The People's Bank of China repeatedly reduced interest rates and announced a cut in the five-year loan prime rate (LPR) by 25 basis points to 3.95% last month in order to reduce the interest expenses on housing loans for domestic residents and to support steady development of the real estate market.

According to the Hong Kong Property Review by the Rating and Valuation Department in December 2023, the territory-wide price indices by class of private domestic properties decreased by approximately 6.8% year-on-year, while the territory-wide rental indices by class of private domestic properties increased by approximately 6.6% year-on-year. Due to the continuous decline in residential property prices, the Hong Kong Government adjusted counter-cyclical measures. The Financial Secretary announced on 28 February 2024 that all demand-side management measures for residential properties were cancelled. The Special Stamp Duty, the Buyer's Stamp Duty and the New Residential Stamp Duty will no longer be charged on all residential property transactions. On the same date, Hong Kong Monetary Authority issued guidelines to banks relaxing mortgage loan-to-value ratios and stress test. These measures have been well received by the public, and residential property transactions have become more active in the past three weeks. Homebuyers and investors have regained confidence in the property market and prices have stabilized. The 262 residential units of the "The Symphonie", the urban redevelopment project developed by the Group, will be offered in batches for sale or held for rental purposes.

As an international city, Hong Kong faces substantial impact by the number of tourists. With the Hong Kong Government actively developing tourism and receiving strong support from the Central Government, a series of international events and large-scale activities will be held in succession. Together with the relaxation of the Individual Visit Scheme, it is expected that the number of Mainland and foreign tourists will gradually increase in the future, which will greatly benefit various sectors such as retail, hotel, catering and healthcare. During the Mainland's Chinese New Year Golden Week, Hong Kong recorded a total of approximately 1.43 million tourist arrivals, of which 1.25 million were from Mainland China, indicating a clear trend.

During the year under review, the Group's major source of revenue is the rental income from shops and commercial arcades as well as interest income from banks. The Group had no borrowings. With the gradual economic recovery in Hong Kong, the Group's businesses are expected to benefit and develop steadily.

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express our appreciation to all our staff for their dedication and hard work during the year.

Dr. Lam Ko Yin, Colin
Chairman

Hong Kong, 20 March 2024

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes to the financial statements.

REVIEW OF RESULTS

The Group's revenue for the year amounted to approximately HK$375 million, representing an increase of 33.5% when compared with the previous year. This was mainly attributable to the increase in interest income during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2023, shareholders' funds of the Group showed a decrease of around 3.4% as compared to the previous year and amounted to approximately HK$6,971 million. The decrease was mainly due to the net effect of the profit realised from property leasing, the gains on revaluation of the Group's investment properties and the deduction of the dividend payments.

There was no change to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the property leasing and other operations.

Current assets of the Group were recorded at approximately HK$3,792 million and the current liabilities were approximately HK$241 million as of 31 December 2023. Current ratio of the Group had been decreased to 15.8 as at 31 December 2023, mainly attributed to the decrease in trade and other receivables as well as cash and bank balance.

GEARING RATIO AND FINANCIAL MANAGEMENT

As the Group had no borrowings as at 31 December 2023, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the number of employees of the Group stood at about 284 (2022: about 250). Total employees' costs for the year amounted to approximately HK$130 million. The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies.

REPORT OF THE DIRECTORS

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

PRINCIPAL PLACE OF BUSINESS

Hong Kong Ferry (Holdings) Company Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development, property investment, ferry, shipyard and related operations, healthcare, medical aesthetic and beauty services and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the "Group") during the financial year is set out in note 3 to the financial statements on pages 127 to 131 of this Annual Report.

BUSINESS REVIEW

A review of the business of the Group during the year is provided in Management Discussion and Analysis on page 15 and Chairman's Statement on pages 12 to 14 of this Annual Report. A discussion on the Group's future business development is provided in the Chairman's Statement on pages 12 to 14 of this Annual Report. Description of the principal risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 12 to 14 and the sub-section headed "Risk Management and Internal Control" of Corporate Governance Report on pages 42 to 44 of this Annual Report. Financial risk management of the Group can be found in note 24 to the financial statements on pages 169 to 172 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 9 and Five Years' Financial Summary on pages 180 to 182 of this Annual Report respectively.

Discussions on the Group's environmental policies and performance, relationships with its key stakeholders which have a significant impact on the Group can be found in the Report of Directors on pages 16 to 18 and the sub-section headed "Climate-related Risk and Mitigation Strategy" contained in Environmental, Social and Governance ("ESG") Report on page 79 of this Annual Report. These discussions form part of this Report of the Directors.

Discussion on Environmental Policies and Performance

In response to Hong Kong's Climate Action Plan 2050 and the call for accelerating net-zero actions in the 28th United Nations Climate Change Conference, the Group is committed to environmental stewardship by reducing its carbon footprint and reinforcing climate resilience of its business operations.

The Group's Climate Change Policy encourages our suppliers, consultants, contractors and business partners to reduce carbon emissions and energy consumption in their daily operations, incorporate climate change considerations in our procurement process and encourage the use of low carbon, low embodied-energy and energy efficient products and materials. The Group's Environmental Policy cultivates environmental awareness in our decision-making and operating practices, gives priority to environmentally-friendly designs, materials and approach, and favours consultants, contractors and suppliers who follow environmentally-friendly practices in providing their designs, services and products. During the reporting year, risk assessment exercises were conducted by certain business units of the Group to identify key climate-related risks and develop control strategies for their business operations. We made proper arrangement for securing vessels during the tropical cyclone period and conducted drills for tropical cyclone precautionary measures. We have also replaced yard areas with facilities along the waterfront waterproof and high-integrity alternatives to further enhance our resilience against extreme weather events.

BUSINESS REVIEW (Continued)

Discussion on Environmental Policies and Performance (Continued)

The Group has set the target of reducing the Group's greenhouse gas emissions by 30% by 2030 compared with the 2021 baseline. From 2011 onwards, annual energy audits have been conducted at our two most fuel-intensive subsidiaries as part of the Energy and Carbon Management Programme. We have installed rooftop solar panels, wall-mounted solar lights with an adjustable solar receiver and turn-on sensors, and solar system on two floating pontoons at our shipyard to increase sunlight exposure and energy efficiency. During the reporting year, we installed the electric vehicle charging system in our shipyard. Through the provision of convenient and accessible charging facilities, we encourage our employees, logistic suppliers and customer visitors to use more electric vehicles so as to reduce the use of fossil fuels that emit air pollutants. We are in the process of replacing the traditional Tungsten light bulbs in our ferries' main deck with LED bulbs since 2023, so as to increase energy efficiency during our business operations.

For our property development and investment businesses, we have adopted green building standards by integrating sustainability considerations into the design and construction phases of our projects. Our managed properties also proactively take part in different environmental campaigns in an attempt to contribute to the collective efforts in combating climate challenges.

As part of our resource conservation efforts, three rainwater harvesting tanks have been installed to collect rainwater for vehicle washing, floor cleaning and irrigation purposes. We place great emphasis on ensuring waste materials and other useful resources are reused and recycled whenever possible before considering disposing them in landfill. In our cruise business, apart from the provision of a green dining menu for customers, an onshore sewage system was in place to avoid the direct discharge of 2,532 litres of wastewater into the harbour during the reporting year. The properties developed by us, Metro Harbour Plaza and Green Code Plaza, have both obtained Indoor Air Quality Certificates (Good Class), and received acknowledgement and awards in recognition of their sound water quality management, and/or environmental protection activities.

Relationships with Employees, Customers, Suppliers and Community

Along our journey towards sustainable development, we aim to adopt ethical practices and consider the interests of our key stakeholder groups. We maintain regular communications with our employees, customers and suppliers, and address their needs and concerns in a timely manner. We are committed to contributing to the community where we operate and creating a positive social impact while benefiting our business.

Employees

Adhering to the value of "Putting People First", we care about our employees' well-being and aim to provide a workplace that is supportive, inclusive, caring and safe. Our employees are remunerated with competitive salaries and benefits based on their work experience and job duties. We actively encourage all employees to participate in training programmes that are relevant to their work. Salary increment will be considered for employees who completed certain qualifications or professional attainments. During the reporting year, our staff received approximately 4,548 hours of training in total. To promote a healthy work-life balance, we also organised employee engagement activities, such as birthday parties, Christmas party, autumn travel and other employee gatherings outside of our office.

We have implemented various measures to protect the health and safety of our employees. At the shipyard, the Safety Committee was established to oversee occupational health and safety measures. The Safety Officer and Supervisors are responsible for the operation of the safety management system and the execution of safety inspections to ensure safe operational practices and identify areas for rectification as appropriate. In our medical aesthetic clinic and premium beauty service centre, we strictly control and limit the use of special equipment and tools that generate high heat, laser or high energy. Only employees who have completed training and passed examinations are assigned to operate special equipment. In our new medical specialists centre, we have established clinic hygiene and infection control measures in accordance with the guidelines of the Department of Health.

BUSINESS REVIEW (Continued)

Customers

The Group is committed to providing customers with high-quality and responsible products and services. Our ferry, shipyard and Harbour Cruise - Bauhinia operations adopt the internationally recognised ISO 9001:2015 Quality Management System to ensure accountability for our quality standards. We conduct customer satisfaction surveys to understand customers' opinions on our service quality and develop our business strategies that align with customers' expectations. Our Harbour Cruise - Bauhinia operation has achieved customer satisfaction rate of over 90% for nine consecutive years. We comply with relevant material intellectual property rights and customer data privacy regulations and uphold high standard of ethical behaviour across all our business operations.

Suppliers

To maintain the quality of our services and to ensure smooth operations, we have implemented a series of stringent management practices in supplier assessment and procurement processes. The Code of Conduct outlines our requirements on ethical standards, labour rights and environmental practices. We keep reviewing the performance of our suppliers and contractors through our Supplier Evaluation Report and supplier performance review to enhance consistent service quality. We aim to integrate sustainability into product choice and purchase by giving priority to products and services that are sourced locally. As a Hong Kong company, we have achieved an overall local procurement rate of over 80% for eight consecutive years, which demonstrates our continuous support to the local economy. During the reporting year, our Harbour Cruise - Bauhinia business, medical aesthetic clinic and premium beauty service centre, healthcare solutions business and medical specialists centre sourced 100% locally from suppliers of Hong Kong.

At our property development operations, we work closely with our contractors to ensure safety compliance, promote industry safety practices and circulate occupational safety messages to workers on our project sites. To promote sustainability throughout our supply chain, we have incorporated ESG-related supplier certifications in our supplier review process by considering energy audit, carbon audit and Global Reporting Initiative as factors that may affect our supplier selection since 2021.

Community

As a responsible corporate citizen, the Group is committed to creating a positive impact on the local community. During the reporting year, we organised our centennial anniversary ceremony beside the beautiful Victoria Harbour and appreciated 28 employees who have contributed to the Group for 30 years or more. To create long-term shared value for Hong Kong, we collaborated with various law enforcement authorities including the Hong Kong Police Force, and launched the new anti-deception ferry "*Ping On*", which will be in service for a year to enhance public awareness regarding scam prevention.

We strive to contribute to Hong Kong's sustainable development by supporting local events, conducting industry knowledge sharing sessions, and caring for underprivileged groups. During the reporting year, we continued to host our signature "Classic Vehicular Ferry Ride" and support the yellow "Rubber Duck" event. In 2023, our Corporate Volunteer Team supported and participated in 20 volunteer activities and community events, contributed around 596 engagement hours and benefited more than 2,100 people in our community.

Compliance Status with Relevant Laws and Regulations that have a Significant Impact on the Business

During the reporting year, there were no reported cases of non-compliance with applicable laws and regulations in Hong Kong on the environment, employment, anti-corruption, customer privacy and intellectual property that have a significant impact on the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's total purchases
The largest supplier	38.2%
Five largest suppliers in aggregate	55.7%

MAJOR CUSTOMERS AND SUPPLIERS (Continued)

No analysis in respect of the Group's major customers is shown as the percentage of revenue attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2023 are set out in note 12 to the financial statements on page 146 of this Annual Report.

FINANCIAL STATEMENTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2023 and the financial position of the Group at that date are set out in the financial statements on pages 98 to 179 of this Annual Report.

An interim dividend of HK10 cents per share (2022: HK10 cents per share) was paid on 28 September 2023. The Board of Directors of the Company (the "Board") has recommended the payment of a final dividend for the year ended 31 December 2023 of HK15 cents per share (2022: final dividend and special dividend of HK15 cents per share and HK$1.00 per share respectively). Subject to shareholders' approval at the annual general meeting to be held on Friday, 31 May 2024 (the "2024 annual general meeting"), the final dividend will be paid on Monday, 24 June 2024 to shareholders whose names appear on the Register of Members of the Company on Friday, 7 June 2024. The final dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK25 cents for the full year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$68,150 (2022: HK$18,725).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements on pages 167 to 169 of this Annual Report.

DIRECTORS

The Directors of the Company during the year ended 31 December 2023 and up to the date of this report were:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning
Mr. Lee Gabriel
(appointed on 3 January 2023)
(Group General Manager)

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald
(appointed on 20 March 2023)

The list of directors of the subsidiaries of the Company during the year and up to the date of this Annual Report is kept at the registered office of the Company and available for inspection by the shareholders during office hours.

In accordance with Article 103(A) of articles of association of the Company (the "Articles of Association") and Corporate Governance Code (the "Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Li Ning, Mr. Au Siu Kee, Alexander and Ms. Wong Yu Pok, Marina shall retire by rotation at the 2024 annual general meeting, and, being eligible, offer themselves for re-election. Ms. Wong Yu Pok, Marina, an Independent Non-executive Director, has served the Company for more than nine years. Pursuant to the Code, her re-election shall be subject to a separate resolution to be approved by the shareholders at the 2024 annual general meeting.

DIRECTORS (Continued)

The Company has received from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina, Mr. Wu King Cheong and Mr. Chan Wai Yan, Ronald, Independent Non-executive Directors, an annual confirmation of his/her independence and the Company considered that all of them are independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and Senior Management are set out in the Directors' and Senior Management's Profile on pages 3 to 8 of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the Directors' and Chief Executive's emoluments are set out in note 7 to the financial statements on page 136 of this Annual Report.

Details of the emoluments of the five highest paid individuals and senior management of the Group are set out in note 8 to the financial statements on page 137 of this Annual Report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the "Connected Transactions" as disclosed in this report, no other transactions, arrangement or contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2024 annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment other than statutory compensation.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association, every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities to the fullest extent permitted by the Companies Ordinance, Chapter 622 of the Laws of Hong Kong which he/she may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

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

Shares and underlying shares (Long positions)

	THE COMPANY				
	Interest in shares				
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*	**Total Interests** *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director					
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Li Ning	–	–	119,017,090 *(Note 4)*	119,017,090	33.41%
Mr. Lee Gabriel (appointed on 3 January 2023)	180,000	–	–	180,000	0.05%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%
Mr. Chan Wai Yan, Ronald (appointed on 20 March 2023)	–	–	–	–	0.00%

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Shares and underlying shares (Long positions) (Continued)

	2OK COMPANY LIMITED	
	Family Interests *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director		
Mr. Li Ning *(Note 6)*	5	50.00%

	WINWIDE LIMITED	
	Family Interests *Number of Shares*	**Approximate percentage of the total number of issued shares**
Name of Director		
Mr. Li Ning *(Note 7)*	70	70.00%

Other than as stated above, no director or chief executive of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2023.

DISCLOSURE OF INTERESTS (Continued)

Substantial Shareholders and Others

As at 31 December 2023, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	Number of shares in which interested	Approximate percentage of the total number of issued shares
Substantial Shareholders		
Henderson Land Development Company Limited *(Note 1)*	119,017,090	33.41%
Pataca Enterprises Limited *(Note 1)*	119,017,090	33.41%
Wiselin Investment Limited *(Note 1)*	48,817,090	13.70%
Henderson Development Limited *(Note 2)*	119,017,090	33.41%
Hopkins (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Rimmer (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Riddick (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Mr. Li Ning *(Note 4)*	119,017,090	33.41%
Dr. Lee Shau Kee *(Note 5)*	119,816,310	33.63%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	23,400,000	6.57%

DISCLOSURE OF INTERESTS (Continued)

Notes:

1. These 119,017,090 shares included the 48,817,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").

2. These 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.

3. These 119,017,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust beneficially owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 shares are duplicated in the interests described in Notes 1, 2 and 3.

5. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 119,017,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 31 December 2023.

6. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by an indirect subsidiary of HLD. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

7. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HD had 60% indirect interest and HLD had the remaining 40% indirect interest. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Save as disclosed, as at 31 December 2023, the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

RESERVES

Profits attributable to shareholders, before dividend, of HK$190,393,000 (2022: HK$1,299,136,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 23 to the financial statements on pages 167 to 169 of this Annual Report.

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

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

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2023, the Company has not entered into any equity-linked agreements.

FINANCIAL SUMMARIES

The five years' financial summary of the Group is set out on pages 180 to 182 of this Annual Report.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 183 to 184 of this Annual Report.

RETIREMENT PLANS

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 16 to the financial statements on pages 151 to 157 of this Annual Report.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 27 to the financial statements on pages 174 to 177 of this Annual Report.

Connected Transactions/Continuing Connected Transactions

For the year ended 31 December 2023 and up to the date of this Annual Report, the Company and/or its subsidiaries have been entered into certain connected transactions/continuing connected transactions, with details below, which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules:

Date	Connected Persons	Transactions
9 June 2022	Shahdan Limited ("Shahdan"), a wholly-owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") and an associate (as defined in the Listing Rules) of Henderson Land Development Company Limited ("HLD")	Shahdan as landlord and Century Time Holdings Limited, a wholly-owned subsidiary of the Company, as tenant entered into a tenancy agreement dated 9 June 2022 (the "Tenancy Agreement") in respect of the leasing of Units Nos. 901–04 & 18 on 9th Floor of Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for a term of three years from 10 June 2022 to 9 June 2025. Under Hong Kong Financial Reporting Standard ("HKFRS") 16 *Leases*, the Group recognised the rent payable under the Tenancy Agreement (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$16,730,000 recognised by the Group during the year ended 31 December 2023, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Tenancy Agreement. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees and air-conditioning charges payable by the Group to Shahdan (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A.31 of the Listing Rules. The aggregate management fees and air-conditioning charges (exclusive of Government rates) payable under the Tenancy Agreement are subject to the annual cap of HK$1,500,000 for the period from 1 January 2023 to 31 December 2023. Details of the Tenancy Agreement and the annual caps were set out in the announcement of the Company dated 9 June 2022.

CONNECTED TRANSACTIONS (Continued)

Connected Transactions/Continuing Connected Transactions (Continued)

Date	Connected Persons	Transactions
10 June 2022	Henderson Property Agency Limited ("HPAL"), an indirect wholly-owned subsidiary of HLD	World Fame Shipping Limited ("World Fame"), a wholly-owned subsidiary of the Company, and HPAL entered into a sales management agreement dated 10 June 2022 (the "Sales Management Agreement") for the appointment of HPAL as the sales manager to provide project sales and marketing services in respect of the comprehensively planned development of a site at The Remaining Portion of New Kowloon Inland Lot No. 6559 held by Urban Renewal Authority as the owner and World Fame as the developer (the "Proposed Development") for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed Development. HPAL shall be remunerated by receiving a sales fee equivalent to 0.5% of the gross proceeds of sale of such part(s) of the residential units and such other portions of the Proposed Development as World Fame may decide, in respect of which sale and purchase agreements (including preliminary sale and purchase agreements) have been entered into but excluding those sale and purchase agreements effected by third party sales agent(s), subject to the annual cap of HK$3,000,000 for the year ended 31 December 2023. Details of the Sales Management Agreement and the annual caps were set out in the announcement of the Company dated 10 June 2022.
10 June 2022	HPAL	World Fame and HPAL entered into a letter agreement dated 10 June 2022 (the "Letter Agreement") pursuant to which HPAL would provide portions of Shops 501–506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Premises") rented under the agreement entered into between Shahdan as landlord and HPAL as tenant in respect of the tenancy of Shops 501–506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (of which the Premises form part) dated 31 July 2020, for use as show flats and sales office for the sale of the residential units of the Proposed Development for the period from 10 June 2022 to the earlier of 4 August 2023 and the date on which the last residential unit in the Proposed Development to be sold is sold.

CONNECTED TRANSACTIONS (Continued)

Connected Transactions/Continuing Connected Transactions (Continued)

Date	Connected Persons	Transactions
10 June 2022 (Continued)	HPAL	Under HKFRS 16 *Leases*, the Group recognised the rent (being fixed payments) payable under the Letter Agreement as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$2,350,000 recognised by the Group during the year ended 31 December 2023, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Letter Agreement. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees, air-conditioning charges and the promotion contribution payable by the Group under the Letter Agreement (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The aggregate management fees, air-conditioning charges and the promotion contribution payable by World Fame to HPAL under the Letter Agreement is subject to the annual cap of HK$330,000 for the period from 1 January 2023 to 4 August 2023. During the period from 10 June 2022 to 4 August 2023, the Group did not use the Premises as show flats and sales office for the sale of the residential units of the Proposed Development. The carrying amount of the right-of-use asset of approximately HK$168,000 was reversed and the Group was not required to pay any management fees, air-conditioning charges and the promotion contribution to HPAL. The Letter Agreement expired on 4 August 2023.

Details of the above connected transactions/continuing connected transactions are set out in note 27 to the financial statements on pages 174 to 177 of this Annual Report.

CONNECTED TRANSACTIONS (Continued)

Connected Transactions/Continuing Connected Transactions (Continued)

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above connected transactions/continuing connected transactions for the year ended 31 December 2023 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised), "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 26 to 29 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules.

The auditor of the Company have also confirmed to the Board in writing that the above connected transactions/continuing connected transactions for the year ended 31 December 2023 (i) have received the approval of the Board or Connected Transaction Committee which was set up by the Board; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of the corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 30 to 47 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2023 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

PUBLIC FLOAT

As at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2024 annual general meeting.

On behalf of the Board

Dr. Lam Ko Yin, Colin	**Li Ning**
Chairman	*Director*

Hong Kong, 20 March 2024

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Board of Directors of the Company (the "Board") is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders' value as a whole.

In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2023. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

CORPORATE CULTURE AND STRATEGY

With a commitment to maintaining rigorous standards of ethics and governance, the Board cultivates and fosters a corporate culture of integrity, growth, care and collaboration across all levels and in all aspects of operations, as befits the Group's core values.

The Board defines, promotes and oversees such culture by ensuring its alignment and consistency with the Group's business objectives, corporate strategies and future direction. The Group's corporate culture is manifested in and reflected by a broad range of Group-wide policies, practices and procedures, including those relating to governance and compliance, whistleblowing, equal opportunity and diversity, employee welfare and benefits, and corporate social responsibility. Collectively, these established processes shape, sustain and drive the Group's corporate culture.

The Company has been serving Hong Kong for over a century. Whether it is the Group's ferry and shipyard businesses, its real estate development or its latest healthcare, medical aesthetic and beauty businesses, the Group upholds the concept of "Putting People First". The Group is committed to social development, giving back to the local community and setting sail together with the people of Hong Kong.

The three principles of "Love Hong Kong", "Love Victoria Harbour" and "Care for the Community" are embedded in the corporate culture of the Group. As a responsible corporate citizen, the Group provides a helping hand to the needy through participating in various charity events. It makes use of its unique resources to give back to the community and create long-term value for Hong Kong.

BOARD OF DIRECTORS

Responsibility and Delegation

The Board is primarily responsible for considering and deciding on matters covering overall Group strategies, business and investment plans, major acquisitions and disposals, annual financial budgets, approval of annual reports and interim reports, announcements of annual results and interim results, dividend policy and payments, appointment of directors, oversight of management and evaluation of the effectiveness of the risk management and internal control systems of the Group including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and internal audit function, and their respective training programmes and budget, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the articles of association of the Company (the "Articles of Association") and the Board will from time to time delegate the functions to the management whenever required. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board focuses its attention on matters affecting the Company's long-term objectives, plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

The Board has established Board Committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

BOARD OF DIRECTORS (Continued)

Responsibility and Delegation (Continued)

Board meetings are held regularly four times a year and additional meetings will be held if necessary and when required to discuss significant matters or important issues. In order to meet tight time constraints and make timely decision for the Company's policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association. Directors' attendance by electronic means including telephone conferencing is counted as attendance at a physical Board meeting. The Company Secretary shall attend all regular Board meetings and additional meetings to advise on statutory compliance and corporate governance, when necessary.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter cannot be dealt with by a written resolution of the Board but will be dealt with by the Board at a duly convened Board meeting.

All Directors have been provided, on a monthly basis, with the Group's management information updates, balanced and understandable assessment of the Group's performance, position, and budget in order to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

The Board has adopted effective mechanisms and conducted review of such mechanisms on an annual basis to ensure independent views and input are available to the Board. Subject to the approval of the Chairman of the Board, Directors may seek, at the Company's expense, independent legal, financial or other professional advices as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively.

There is no equity-based remuneration with performance-related elements to Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

During the year, the Chairman, even though he is an Executive Director, held a meeting with all Independent Non-executive Directors without the presence of another two Executive Directors.

BOARD COMPOSITION

The Board comprises nine Directors including three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The names of the Directors and the changes to the Board composition during 2023 are as follows:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning
Mr. Lee Gabriel
(appointed on 3 January 2023)
(Group General Manager)

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong
Mr. Chan Wai Yan, Ronald
(appointed on 20 March 2023)

Mr. Lee Gabriel and Mr. Chan Wai Yan, Ronald were appointed as an Executive Director and an Independent Non-executive Director of the Company respectively before 31 December 2023, the effective date of Rule 3.09D of the Listing Rules. Pursuant to Rule 13.51(2) of the Listing Rules at the time of their appointments, Mr. Lee and Mr. Chan had obtained the legal advice regarding their appointments in January 2023 and March 2023 respectively and they had confirmed they understood their obligations as Directors of the Company.

BOARD COMPOSITION (Continued)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the date of the Interim Report 2023 and up to the date of this Annual Report required to be disclosed are as follows:

1. Mr. Lee was admitted as a member of The Hong Kong Institute of Directors on 24 March 2023.

2. Mr. Lee was elected as a chartered member of The Chartered Institute of Logistics and Transport in Hong Kong on 22 February 2024.

3. Mr. Chan has been appointed as a member to the Board of Directors of the Financial Services Development Council for a term of two years with effect from 17 January 2024.

The biographical details of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 3 to 8 of this Annual Report. A list of the Directors and their role and function is available on the Company's website (www.hkf.com) (the "Company's website") and HKEXnews website (www.hkexnews.hk) (the "HKEXnews website") respectively.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the total number of the issued shares of the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Dr. Lee Shau Kee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee and Dr. Lam Ko Yin, Colin are executive directors of Henderson Land Development Company Limited ("HLD"). Mr. Wu King Cheong and Mr. Au Siu Kee, Alexander are independent non-executive directors of HLD. HLD has discloseable interests in the Company under the provisions of the SFO.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the Directors.

BOARD DIVERSITY POLICY

The Board approved and adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board in August 2013 and revised the Board Diversity Policy in December 2018. The Nomination Committee of the Company has considered measurable objectives mainly on gender, age, professional experience and ethnicity to implement the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The selection and recommendation of candidates will be based on the nomination procedures, process and criteria adopted by the Board and a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board is satisfied that its composition is appropriate considering the skills, experience and attributes of the Directors. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy annually to ensure its continued effectiveness. The Board Diversity Policy can be found and accessible on the Company's website.

GENDER DIVERSITY

The Company has met gender diversity with the female representation in its Board. As at the date of this Annual Report, the Board has one female Director, the gender diversity has been achieved in respect of the Board. The percentages of male Directors and female Director are approximately 89% and 11% respectively. The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointment.

GENDER DIVERSITY (Continued)

As at 31 December 2023, as set out in the section headed "Performance Data Summary" contained in the Environmental, Social and Governance ("ESG") Report on pages 85 to 88 of this Annual Report, among the 284 employees (including senior management) of the Group, the percentages of male employees and female employees are approximately 59% and 41% respectively. The Board considers that the Group's workforce (including senior management) is diverse in terms of gender.

NOMINATION POLICY

The Board approved and adopted the Nomination Policy in December 2018 for identifying and evaluating candidates for nomination to the Board. The Nomination Policy aims to set out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) shareholders of the Company for election as a director of the Company. The Nomination Committee will also take into account the Board Diversity Policy and the Nomination Policy when identifying suitably qualified candidates for the Board and would review the Policies regularly to ensure their continuing effectiveness. The Nomination Policy sets out the criteria and procedures in making nominations, including but not limited to, skills, experience and professional expertise; diversity; commitment and standing. When the candidate to be nominated as an independent non-executive director, he/she must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. Mr. Chan Wai Yan, Ronald was nominated as an Independent Non-executive Director and a member of the Audit Committee in 2023. The Nomination Policy can be found and accessible on the Company's website.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition of the Board, identifying and nominating suitable candidates to the Board, and making recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account the person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

All Directors have formal letters of appointment setting out the key terms of their appointments. According to the Articles of Association, any Director newly appointed by the Board shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting/annual general meeting.

The appointment of independent non-executive directors adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

In accordance with the Articles of Association, no Director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the Company.

In addition, at each annual general meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office provided that every Director shall be subject to retirement by rotation at least once every three years.

The procedures for shareholders of the Company to propose a person for election as a Director are available and accessible on the Company's website and on the section headed "Procedures for Shareholders to Propose a Person for Election as a Director" in this Corporate Governance Report on page 47 of this Annual Report.

CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman of the Board and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances.

The role of the Chairman of the Board is taken by Dr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the Code but not otherwise) is taken by Mr. Lee Gabriel, who was appointed as an Executive Director of the Company with effect from 3 January 2023. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules of having four Independent Non-executive Directors, representing more than one-third of the Board. One of the Independent Non-executive Directors has the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

All Non-executive Directors including all Independent Non-executive Directors are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Articles of Association.

CONFIRMATION OF INDEPENDENCE

The Nomination Committee and the Board noted that Mr. Ho Hau Chong, Norman is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interest of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operations of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules. In view of the fact that (i) Mr. Ho is not involved in the management and operations of Wealth Team; (ii) Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or any core connected persons (as defined in the Listing Rules) of the Company, and (iii) both the management and the operations of the Miramar Group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an Independent Non-executive Director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

The Nomination Committee and the Board also noted that Mr. Wu King Cheong is an independent non-executive director of each of HLD, Henderson Investment Limited ("Henderson Investment") and Miramar, and does not take part in the day-to-day management of the aforesaid companies. In view of Mr. Wu's independent scope of works in the past years, the Board considers Mr. Wu to be independent under Rule 3.13 of the Listing Rules despite he has served as a common director of HLD, Henderson Investment and Miramar. Also, Mr. Wu has not engaged in any executive management of the Group. Save as aforesaid, Mr. Wu has complied with other conditions set out in Rule 3.13 of the Listing Rules.

CONFIRMATION OF INDEPENDENCE (Continued)

The Board has received an annual confirmation of independence from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong, Independent Non-executive Directors of the Company. Mr. Chan Wai Yan, Ronald who has been appointed as an Independent Non-executive Director of the Company with effect from 20 March 2023, has also provided a written confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules before the date of his appointment and also the subsequent confirmation of independence during the year ended 31 December 2023. All Independent Non-executive Directors have been identified in all corporate communications that disclosed the names of Directors.

All Independent Non-executive Directors also met the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives comprehensive induction covering business operations, policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

Each newly appointed Director would be provided an induction package. He or she would also receive a briefing on his or her responsibilities under the declaration and undertaking with regard to directors from an external lawyer.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors and senior management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the "Companies Ordinance") and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Directors are provided with written reading materials to develop and refresh their professional skills. The Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend presentations of distinguished speakers from professional fields on the topics of information technology and taxation in Hong Kong.

The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

According to the records maintained by the Company, the Directors received the following training(s) in order to comply with the requirements of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2023:

Board of Directors	Type of trainings relevant to corporate governance, regulatory updates and/or accounting, finance, information technology and tax
Executive Directors	
Dr. Lam Ko Yin, Colin *(Chairman of the Board)*	A, B
Mr. Li Ning	A, B
Mr. Lee Gabriel (appointed on 3 January 2023) *(Group General Manager)*	A, B
Non-executive Directors	
Mr. Au Siu Kee, Alexander	A, B
Mr. Lau Yum Chuen, Eddie	A, B
Independent Non-executive Directors	
Mr. Ho Hau Chong, Norman	A, B
Ms. Wong Yu Pok, Marina	A, B
Mr. Wu King Cheong	A, B
Mr. Chan Wai Yan, Ronald (appointed on 20 March 2023)	A, B

A: attending seminars and/or presentations
B: reading relevant materials

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Ms. Wong Yu Pok, Marina, Mr. Wu King Cheong and Mr. Chan Wai Yan, Ronald (appointed on 20 March 2023).

The terms of reference of the Audit Committee was reviewed by the Audit Committee and had also been updated in the year and recommended the same to the Board for approval in August 2023. The revised terms of reference of the Audit Committee is available on the Company's website and HKEXnews website respectively.

The major duties and responsibilities of the Audit Committee are to review the annual and interim results and oversee the Company's financial reporting principles and practices and discuss with the external auditor on financial reporting and compliance; to recommend the appointment, re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor, to review the representation letter and engagement letter of the external auditor. The Audit Committee oversaw the effectiveness of risk management and internal control systems of the Group including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting functions, as well as the Company's ESG performance and reporting matters. The external auditor was invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and annual results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

During the year, two Audit Committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and the financial statements for the year ended 31 December 2022 with recommendation to the Board for approval, the Annual Internal Audit Report, the continuous professional development training records of Directors and senior management, Continuing Connected Transactions, a review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions as well as the Company's ESG performance and reporting matters, the interim results for the six months ended 30 June 2023 and the Interim Internal Audit Report, approved the representation letter and the terms of engagement of the external auditor, the works of the Company's internal audit department, assessed the effectiveness of the Group's systems of risk management and internal control and reviewed and recommended the proposed amendments to the terms of reference of the Audit Committee.

The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman and Ms. Wong Yu Pok, Marina and two Executive Directors namely Dr. Lam Ko Yin, Colin and Mr. Li Ning.

The terms of reference of the Remuneration Committee is available on the Company's website and HKEXnews website respectively.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policies and structure for all Directors' and senior management's emolument and on the establishment of a formal and transparent procedure for developing emolument policy. No Director takes part in any discussion on his/her own remuneration.

The Remuneration Committee is responsible for reviewing the policies and structure for the emolument of all Directors and senior management of the Company, assessing performance of the Executive Directors and establishment of a formal and transparent procedure for developing policies on such emolument.

The emolument of the Directors and senior management are determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance, the overall profitability and corporate goals and objectives of the Company as a whole. In determining the emolument package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, etc.

During the year, one Remuneration Committee meeting was held and one resolution in writing was signed by all Remuneration Committee members. During the meeting, the Remuneration Committee members reviewed and determined the emolument package of the staff including the senior management of the Company and made recommendations on the fees of all the Directors of the Company for the year ended 31 December 2023. The Remuneration Committee members made recommendations to the Board on the remuneration of the appointment of new Independent Non-executive Director of the Company by resolutions in writing.

Particulars of the Directors' and Chief Executive's emoluments disclosed pursuant to the Companies Ordinance and Appendix D2 to the Listing Rules are set out in note 7 to the financial statements on page 136 of this Annual Report while the details of the emoluments of the five highest paid individuals and senior management analysed by band are set out in note 8 to the financial statements on page 137 of this Annual Report.

Nomination Committee

The Nomination Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two Executive Directors namely Dr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Nomination Committee are available on the Company's website and HKEXnews website respectively.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategies, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become the Board members selects and makes recommendations to the Board on the selection of individuals to be nominated for directorships, assesses the independence of independent non-executive directors, and makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Group General Manager. The Nomination Committee shall consider the candidate from a wide range of backgrounds, his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

During the year, one Nomination Committee meeting was held. During the meeting, the Nomination Committee members reviewed the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board, reviewed the Independent Non-executive Directors' annual confirmations on their independence; reviewed the time required for a Director to perform his/her responsibilities; assessed the independence status of current Independent Non-executive Directors who have served on the Board for more than nine years; made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 31 May 2023. The Nomination Committee also reviewed the biographies of those retiring Directors and taking into consideration their knowledge, experience, capability and various diversity aspects as set out in the Board Diversity Policy as well as their contributions to the Company over the years. The Nomination Committee is of the view that the retiring Directors would continue to contribute to the Board with their respective perspectives, skills and experience.

The Nomination Committee members also reviewed the Board Diversity Policy and the Nomination Policy remained relevant and no revision was required and reviewed the proposed amendments to the disclosure of corporate governance of the Company, where appropriate, and recommended the same to the Board for approval.

The Nomination Committee recommended the appointment of an Independent Non-executive Director and a member of the Audit Committee to the Board for approval in March 2023 in accordance with the Nomination Policy and the Board Diversity Policy of the Company.

Mr. Ho Hau Chong, Norman, who has been appointed as Independent Non-executive Director of the Company since March 1995, has served as Independent Non-executive Director for more than nine years. Mr. Ho is also the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company. Despite Mr. Ho has other directorships as mentioned in the section headed "Confirmation of Independence" in this Corporate Governance Report on pages 34 to 35 of this Annual Report, he does not have any management role in the Company. The Nomination Committee considered that Mr. Ho has continuously contributed to the Company and the Board with his relevant experience and knowledge throughout his years of service.

Mr. Wu King Cheong, who has been appointed as Independent Non-executive Director of the Company since January 2005, has served as Independent Non-executive Director for more than nine years. Mr. Wu is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Despite Mr. Wu has other directorships as mentioned in the section headed "Confirmation of Independence" in this Corporate Governance Report on pages 34 to 35 of this Annual Report, he has not engaged in any executive management of the Group.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The Nomination Committee also noted that Ms. Wong Yu Pok, Marina has served as an Independent Non-executive Director of the Company since May 2008 for more than nine years. Ms. Wong is also a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. Wong has met the independence guidelines set out in Rule 3.13 of the Listing Rules and gave an annual confirmation of her independence to the Company. Notwithstanding her long-term service, given her extensive commercial and financial experiences, the Nomination Committee and the Board are of the opinion that she continues to bring independent and objective perspectives to the Company's affairs and provides valuable insights to the management. The Nomination Committee also considered that Ms. Wong has continuously contributed to the Company and the Board with her relevant experience and knowledge throughout her years of service.

Each of Mr. Ho, Mr. Wu and Ms. Wong has served the Company for more than nine years, during which period they have provided objective and independent professional advice and insight to the Board. They have in-depth understanding of the Group's businesses and operation and have also demonstrated strong independence by providing impartial views and comments at Board and Board committee meetings during their tenure of office and they remain committed to their independent roles. They have not taken part in the day-to-day management of the Company. The Nomination Committee considered that the long-term service of Mr. Ho, Mr. Wu and Ms. Wong will not affect their exercise of independent judgment and was satisfied that each of them has the required integrity and experiences to continue fulfilling the role of an Independent Non-executive Director.

Save for (i) Mr. Ho is an executive director of Miramar and a director of Wealth Team and (ii) Mr. Wu is currently an independent non-executive director of HLD, Henderson Investment and Miramar, none of them has any financial or family relationships with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company, which could give rise to a conflict of interests situation or otherwise affect their exercise of independent judgement. The Nomination Committee believes that they remain committed to their role as Independent Non-executive Director of the Company and will continue to be independent.

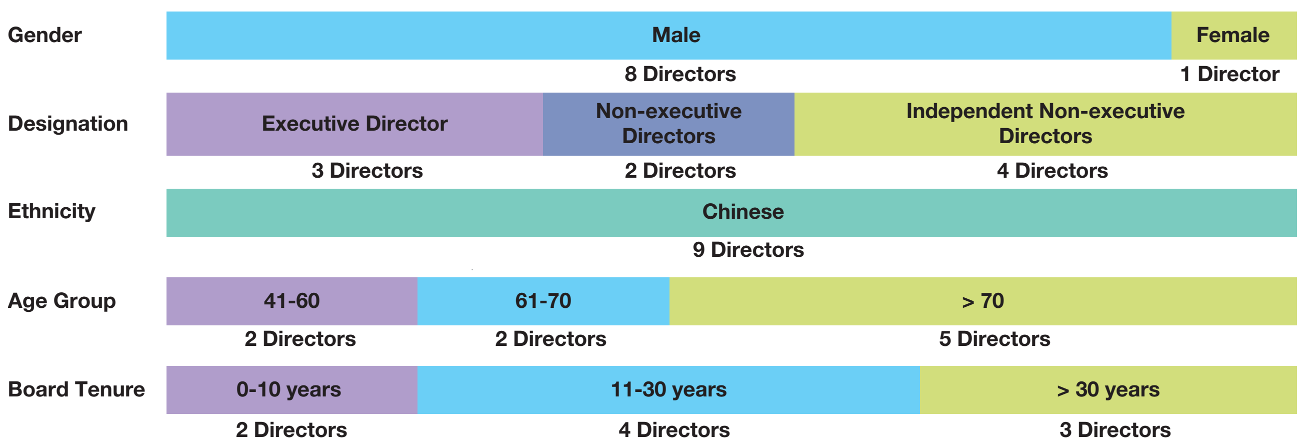
BOARD COMMITTEES (Continued)

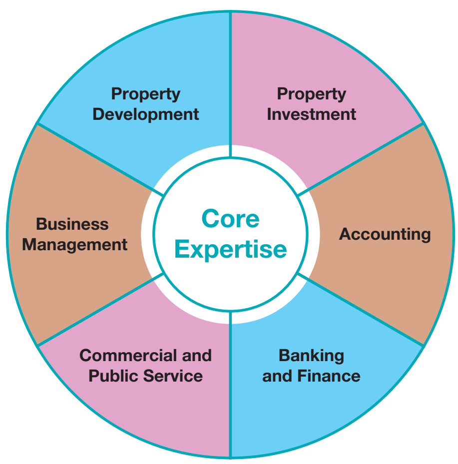
Nomination Committee (Continued)

The current composition of the Board provides a diversity of skills, gender, experience, and knowledge to the Company. The diversity profile of the Board as at 20 March 2024 is as follows:

BOARD DIVERSITY

Number of Directors: 9





Note:

Multiple professional backgrounds and experiences may apply to a Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiries, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

The Company has also adopted written guidelines on no less exacting terms than the Model Code for relevant employees (including employees of the Company or Directors or employees of its subsidiaries, who, because of such office or employment, are likely to be in possession of unpublished inside information in relation to the Company or its securities), in respect of their dealings in the securities of the Company.

POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the Directors, officers and relevant employees of the Company to ensure that the inside information of the Company disseminated to public is in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the Company's website.

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter has retired as the Company Secretary of the Company with effect from 8 December 2023. Mr. Chow Tung Ming ("Mr. Chow") has been appointed as the Company Secretary of the Company with effect from 8 December 2023. Mr. Chow is a full-time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. Chow is a solicitor as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong, and hence he has complied with the requisite qualifications pursuant to Rule 3.28 of the Listing Rules to discharge the functions of the Company Secretary and has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Chow is set out in the section headed "Directors' and Senior Management's Profile" on page 8 of this Annual Report.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period to give a true and fair view of the financial position and financial performance of the Group. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 93 to 97 of this Annual Report.

Auditor's Remuneration

Apart from carrying out the annual audit, KPMG, the Auditor of the Company also carried out the review on the interim report of the Company. For the year ended 31 December 2023, annual audit fee amounted to HK$1,986,000 whereas the fee for the interim review amounted to HK$366,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

Policies for Whistleblowing and Anti-corruption

The Company has established a system for employees and any person to report concerns about any suspected or actual improprieties relating to the Group and the relevant details are set out in the Business Ethics and Code of Business Conduct Policy. The policy aims at encouraging and enabling any person to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group by mail to the Chairman of the Whistleblowing Committee. The Group will take appropriate actions against such improprieties and, where appropriate, report the cases to the relevant enforcement authorities.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Policies for Whistleblowing and Anti-corruption (Continued)

The Whistleblowing Committee, established in 2022 and consists of three members with majority are independent non-executive directors of the Company, oversees a whistleblowing policy and a set comprehensive procedures whereby the stakeholders, including the employees, can report any actual or suspected occurrence of improper conduct involving the Company, so that matters could be investigated and dealt with efficiently in an appropriate and transparent manner. The Whistleblowing Committee would oversee the investigations and could appoint the Internal Audit Manager to conduct investigation, where appropriate.

Moreover, the Company has adopted the Anti-Corruption and Bribery Policy which provides guidance to our employees on how to recognise and deal with bribery and corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein.

Risk Management and Internal Control

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing the effectiveness at least annually through the Audit Committee. The systems and internal control can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the areas of financial, operational and compliance control, and risk management (including ESG risks) functions.

The Group has established an organisational structure with defined levels of responsibilities and reporting procedures. The Audit Committee supports the Board in design, implementation and monitoring of the risk management and internal control systems. The operating units of the Group are responsible for the identification, assessment and mitigation of risks at business unit level and across functional areas. The Internal Risk Management Team, composed of nominated department heads and executives, facilitates the implementation of the risk management framework. The Internal Audit Department assists the Audit Committee in review of the effectiveness of the Group's risk management (including ESG risks) and internal control systems on an ongoing basis. The Directors, through the Audit Committee, are kept regularly apprised of significant risks that may have impacts on the Group's performance.

The process of risk management involves:

- understanding the organisational objectives;
- identifying the risks associated with achieving organisational objectives and assessing the likelihood and potential impacts of particular risks;
- developing programmes to address the identified risks; and
- monitoring and evaluating the risks, internal control and the arrangements in place to address them on an ongoing basis.

The risk management of the Group combines a top-down strategic view with a complementary bottom-up operational process.

The Board, by the top-down approach, particularly focuses on determining the nature and extent of significant risks that it is willing to take in achieving the strategic objectives of the Group. The Audit Committee supports the Board to review all significant risks in order to ensure that the business activities remain within agreed risk appetite tolerances.

The operating units of the Group are responsible for identifying their own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The setting of business objectives and annual budgeting is one of their key control activities, which shall be refined to take into consideration the risk factors. The operating units of the Group consult the Group General Manager on setting the business objectives which are pursuant to the Board's strategic objectives and are consistent with its risk appetite. The process involves the maintenance of risk assessment reports, setting out particulars of material risks together with the control strategies as reported by the operating units of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Risk Management and Internal Control (Continued)

The Internal Audit Department collects the risk assessment reports from the operating units of the Group and then compiles a risk register for review at the meeting of Internal Risk Management Team which are held at least 3 times a year (2 meetings are held before the holding of the Board Meeting to review the interim and annual results of the Group). The Internal Risk Management Team coordinates risk management activities and assesses the effectiveness of the related system of internal control in managing the significant risks, having regard, in particular, to any significant failings or weaknesses in internal control that have been reported.

The Internal Audit Department adopted a risk-based approach which included all significant risks in each year's annual audit plan and performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2023. It is intended to carry out this evaluation process on an ongoing basis. Key audit findings and recommendations have been shared with the Internal Risk Management Team. The Audit Committee, after reviewing and considering the risk management findings submitted by the Internal Audit Department, reported to the Board of the Company and confirmed to the Board that the risk management and internal control systems are effective and adequate.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.

"Top-down" Approach
Oversight, identification, assessment and mitigation of risk at corporate level

The Board

- Has overall responsibility for the Group's risk management and internal control systems
- Sets strategic objectives
- Reviews the effectiveness of the Group's risk management and internal control systems
- Monitors the nature and extent of risk exposure for the Group's significant risks
- Provides direction on the importance of risk management and risk management culture

Internal Risk Management Team

- Supports the Audit Committee in designing, implementing and monitoring the Group's risk management and internal control systems
- Supports the Audit Committee in assessing the Group's risks and mitigating measures Company-wide

Audit Committee

- Supports the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems

Internal Audit

- Supports the Audit Committee in reviewing the effectiveness of the Group's risk management and internal control systems
- Considers risk assessment results, especially for all significant risks in annual audit planning
- Designs audit program with reference to the risk assessment results
- Reports key audit findings and recommendations to the Audit Committee and Internal Risk Management Team

"Bottom-up" Approach
Identification, assessment and mitigation of risk at business unit level and across functional areas

Operational Level

- Sets business objectives
- Risk identification, assessment and mitigation performed across the businesses
- Risk management process and internal controls measures practised across business operations and functional areas.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Risk Management and Internal Control (Continued)

Certain significant risks such as business risk, financial risk, regulatory and compliance risk and operational risk had been identified during the year through the process of risk identification and assessment. Relevant control strategies and mitigation on significant risks had been reported to the Audit Committee. The Audit Committee and the Board were not aware of any areas of concern that would have material impact on the financial position or results of operations of the Group and considered that the risk management and internal control systems are generally effective and adequate.

Inside Information

With regard to procedures and internal control for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules.
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.
- has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information.
- ensures, through its own internal reporting processes and the consideration of their outcomes by senior management, the appropriate handling and dissemination of inside information.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

Details of the attendance of each Director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meeting ("NCM") during the year ended 31 December 2023 and Annual General Meeting held on 31 May 2023 ("2023 AGM") are set out in the following table:

	Number of Meetings attended/held				
Board of Directors	**BM**	**ACM**	**RCM**	**NCM**	**2023 AGM**
Executive Directors					
Dr. Lam Ko Yin, Colin *(Note 1)*	4/4	N/A	1/1	1/1	1/1
Mr. Li Ning *(Note 2)*	3/4	N/A	1/1	1/1	1/1
Mr. Lee Gabriel *(Note 3)* (appointed on 3 January 2023) *(Group General Manager)*	4/4	2/2	1/1	1/1	1/1
Non-executive Directors					
Mr. Au Siu Kee, Alexander	4/4	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman *(Note 4)*	4/4	2/2	1/1	1/1	1/1
Ms. Wong Yu Pok, Marina *(Note 5)*	4/4	2/2	1/1	1/1	1/1
Mr. Wu King Cheong *(Note 6)*	4/4	2/2	1/1	1/1	1/1
Mr. Chan Wai Yan, Ronald *(Note 7)* (appointed on 20 March 2023)	3/3	1/1	N/A	N/A	1/1

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS (Continued)

Notes:

1. Chairman of the Board, Member of the Remuneration Committee and Chairman of the Nomination Committee.
2. Member of the Remuneration Committee and the Nomination Committee. Mr. Li Ning was unable to attend one Board Meeting due to prior commitment.
3. Subsequent to the appointment of Mr. Lee Gabriel as an Executive Director of the Company on 3 January 2023, he was invited to attend two Audit Committee Meetings, one Remuneration Committee Meeting and one Nomination Committee Meeting in the capacity of the Group General Manager of the Company.
4. Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee.
5. Member of the Audit Committee, the Remuneration Committee and the Nomination Committee.
6. Chairman of the Remuneration Committee, Member of the Audit Committee and the Nomination Committee.
7. Subsequent to the appointment of Mr. Chan Wai Yan, Ronald as an Independent Non-executive Director and a member of the Audit Committee of the Company on 20 March 2023, there were three Board Meetings and one Audit Committee Meeting held.

DIRECTORS' TIME COMMITMENT

The Board regularly reviews the contributions required from a Director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing his/her role. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments and an indication of time involved. The Company has received confirmation from each Director that he/she has spent sufficient time during the year ended 31 December, 2023. None of the Directors held directorships in more than six listed companies during the year.

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with shareholders.

The Board has adopted a Shareholders Communication Policy setting out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company. The Board reviews the Shareholders Communication Policy annually to ensure its continued effectiveness.

The Company has established an effective communication system. The Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors through the Company's website. The Board believes that the Company's website provides an alternative mean for the public investors to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the shareholders. The Chairman and the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee as well as the Company's independent external auditor maintained an on-going dialogue with the shareholders and answered questions raised by the shareholders throughout the annual general meeting.

DIVIDEND POLICY

The Board approved and adopted the Dividend Policy in December 2018 setting out the factors in determination of dividend payment of the Company including the financial conditions in general, operating results, capital requirements, shareholders' equity, contractual restraints and other factors considered relevant by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required. During the year, the Board reviewed the Dividend Policy and it was agreed that it remained applicable and no revision was required. The Dividend Policy is available on the Company's website.

With respect to the Financial Statements and Dividends for the year ended 31 December 2023, please refer to the Report of the Directors set out on page 19 of this Annual Report.

SHAREHOLDERS' RIGHTS

Set out below are procedures by which shareholders may: (1) request to call a general meeting; (2) put forward enquiries to the Board; and (3) request to circulate a resolution for an annual general meeting. These procedures are generally governed by the provisions of the Articles of Association and applicable laws, rules and regulations, which prevail over what are stated in this section in case of inconsistencies.

1. Procedures by which shareholders may request to call a general meeting

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request: (a) must state the general nature of the business to be dealt with at the general meeting; (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting; (c) may consist of several documents in like form; (d) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; and (e) must be authenticated by the shareholders making it.

Pursuant to Section 567 of the Companies Ordinance, the Directors required under Section 566 of the Companies Ordinance to call a general meeting must call a general meeting within 21 days after the date on which they become subject to the requirement and a general meeting so called must be held on a date not more than 28 days after the date of the notice convening the general meeting. If the Directors do not do so, the shareholders who requested the general meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance, but the general meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a general meeting. Any reasonable expenses incurred by the shareholders requesting the general meeting by reason of the failure of the Directors duly to call a general meeting shall be reimbursed to the shareholders by the Company.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary
Hong Kong Ferry (Holdings) Company Limited
98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

E-Mail	:	hkferry@hkf.com
Telephone	:	(852) 2394 4294
Facsimile	:	(852) 2786 9001

3. Procedures to circulate a resolution for an annual general meeting

Pursuant to Section 615 of the Companies Ordinance, shareholders can make a request to circulate a proposed resolution that may properly be moved and is intended to be moved at an annual general meeting. The request must be made by: (i) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates; or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates.

The request: (a) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the shareholders making it; and (d) must be received by the Company not later than 6 weeks before the annual general meeting to which the request relates; or if later, not later than the time at which notice is given of that annual general meeting.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

According to the Articles of Association, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details set out in Rule 13.51(2) of the Listing Rules, to the shareholders for them to make decision on their election at a general meeting.

INVESTOR RELATIONS

At the annual general meeting of the Company held on 31 May 2023, was being held by physical general meeting.

During the year ended 31 December 2023, no amendment was made to the Articles of Association. The latest version of the Articles of Association is available on the Company's website and HKEXnews website respectively.

The Company's information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars) and annual general meetings, as well as disclosures on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the Company's website and HKEXnews website respectively. The Company's website provides shareholders with its corporate information, such as its principal business activities, the development of corporate governance and the sustainable development of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements are made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. In addition, shareholders can contact the Share Registrar of the Company if they have any enquiries about their shareholdings and entitlements to dividend.

MESSAGE FROM THE CHAIRMAN

On behalf of Hong Kong Ferry (Holdings) Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”), I am pleased to present the Environmental, Social and Governance Report 2023 (“ESG Report”), which captures the Group’s continuous efforts and achievements in managing environmental, social and governance (“ESG”) related impacts within our business operations. With the growing awareness of ESG issues and sustainable development, we strive to continually improve our sustainability strategies and performance to fulfil stakeholders’ expectations.

2023 marked a remarkable year for the Group, as we celebrated our 100th anniversary. This milestone reaffirmed our steadfast commitment to the motto of “Loving Hong Kong and the Harbour”, which has guided our journey since our founding in 1923. We have strived to be more than just a ferry and shipyard focused business over the past century, and have successfully transformed ourselves into an integrated conglomerate, diversifying our business portfolio to embrace broader opportunities for sustainable growth.

We have expanded into healthcare, medical and beauty businesses in recent years. Established with aesthetic centre, medical specialists centre and pain management centre (January 2024) in Tsim Sha Tsui, our goal is to provide exceptional services to the community and fulfil people’s needs for a healthier and better life, thereby facilitating us to continue to grow and succeed in the years to come.

In the post-COVID-19 era, we remain committed to shaping a sustainable future. We wholeheartedly endorse Hong Kong’s Climate Action Plan 2050 and are actively aligning our business operations with its ambitious goals to combat climate change. In response to the proposal of The Stock Exchange of Hong Kong Limited (“HKEX”) and the broader trend towards enhanced climate-related disclosures, we are dedicated to striving for compliance with the latest global sustainability-related disclosure standards.

While this ESG Report highlights our achievements in 2023, it is important to acknowledge the collective effort that made it all possible. I would like to extend my sincere gratitude to the Board of Directors (the “Board”) for their strategic direction and guidance. In addition, I would like to take this opportunity to express my heartfelt appreciation to our management, employees, investors, business partners, customers and the community for their support and dedication. As we embark on the next chapter of our journey, I am confident that with continued collaboration and a shared commitment to sustainability, we shall create a brighter future for Hong Kong.

Dr. Lam Ko Yin, Colin
Chairman

ABOUT THIS REPORT

Reporting Scope

The Group is honoured to issue this ESG Report covering the period from 1 January 2023 to 31 December 2023 (the "Reporting Year"), which outlines the Group's ESG-related policies, practices, performance and outcomes. This ESG Report focuses on the sustainability performance of the Group's business portfolio including property development, property investment, ferry, shipyard and related operations, and health and wellness. During the Reporting Year, the Group has expanded the medical and healthcare business with the commencement of operations of a medical centre in Tsim Sha Tsui covering different areas of medical specialties.

The Group's principal business operations are based in Hong Kong. To provide a comprehensive picture of our sustainability performance, this ESG Report covers the following companies:

	Business Unit	Company Name
1	Principal Office	Hong Kong Ferry (Holdings) Company Limited
2	Property Development	World Fame Shipping Limited
3		Win Standard Enterprises Limited
4	Property Investment	Well Dynamic Limited
5		World Light Limited
6		Lenfield Limited
7		HKF Property Investment Limited
8	Shipyard Operations	The Hong Kong Shipyard Limited
9	Dangerous Goods Vehicular Ferry Services	The Hongkong and Yaumati Ferry Company Limited
10	Harbour Cruise - Bauhinia	Galaxy Hotel Management Company Limited
11	Health and Wellness	Century Time Holdings Limited
12		Galaxy Harbour Limited
13		Ever Vision International Limited

ABOUT THIS REPORT (Continued)

Reporting Standard

This ESG Report has been prepared in accordance with the requirements of the ESG Reporting Guide ("ESG Reporting Guide") in Appendix C2 to the Rules Governing the Listing of Securities on HKEX. The content of this ESG Report follows four reporting principles.

Materiality	This ESG Report's structure follows the results of stakeholders' engagement in the form of an online survey distributed to the Group's external and internal stakeholders about materiality assessment specialised in ESG issues. Please refer to the sub-sections headed "Stakeholder Engagement" and "Materiality Assessment" under the section headed "Sustainability Governance" for detailed information.
Quantitative	The key performance indicator(s) ("KPI" or "KPIs") is/are measurable with respective calculation methodologies and thus the ESG performance of the Group can be evaluated and validated continuously.
Balance	The information provided in this ESG Report is based on the Group's policies, documents and recorded practices. It provides an unbiased overview of the Group's ESG performance and areas for improvement.
Consistency	This ESG Report adopts methodologies that are consistent with previous years, which allows for meaningful comparisons of ESG data over time.

To assist readers in finding the relevant information in this ESG Report, we have set out the HKEX ESG Reporting Guide Content Index.

2023 AT A GLIMPSE

Performance Highlights

Core Businesses

- Property Development
- Property Investment
- Ferry, Shipyard and Related Operations
- Health and Wellness

Achieving Overall Local Procurement Rate of Over 80% Across our Diverse Businesses in Support of Local Economy

8 consecutive years

Achieving Customer Satisfaction Rate of Over 90%[1] (Harbour Cruise - Bauhinia)

9 consecutive years

Local Procurement Rate

85%

Employees' Training Hours

4,548 Hours

Number of Volunteer Activities and Community Events Participated

20

Total Volunteer Activities and Community Events Engagement Hours

596 Hours

Sulphur Content In Diesel

0.001%

[1] Customer satisfaction survey conducted according to ISO 9001:2015 Quality Management System

AWARDS, CERTIFICATES AND MEMBERSHIPS

Environmental Leadership

BEAM Plus New Buildings V1.2 – Final Silver Rating
– The Royale

by Hong Kong Green Building Council Limited

BOCHK Corporate Low-Carbon Environmental Leadership Awards 2022

– The Hong Kong Shipyard Limited

– The Hongkong and Yaumati Ferry Company Limited

by Bank of China (Hong Kong) Limited and Federation of Hong Kong Industries

Hong Kong Green Organisation
– Green Code Plaza

Hong Kong Green Organisation Certification
– Wastewi$e Certificate – Basic Level
– Green Code Plaza

by Environmental Campaign Committee

AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Environmental Leadership (Continued)

Quality Water Supply Scheme for Buildings – Flushing Water (Gold) – Metro Harbour Plaza

Quality Water Supply Scheme for Buildings – Fresh Water (Management System) (Gold) – Metro Harbour Plaza

Quality Water Supply Scheme for Buildings – Fresh Water (Management System) (Silver) – Green Code Plaza

by Water Supplies Department

Indoor Air Quality Certificate (Good Class) (2023–2024)

– Metro Harbour Plaza

– Green Code Plaza

– Principal Office of the Company

by Environmental Protection Department

AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Environmental Leadership (Continued)

Umbrella Bags Reduction Accreditation Program 2023 – Diamond Level
– Metro Harbour Plaza
– Green Code Plaza

by Greeners Action

Energy Saving Charter 2022
– Green Code Plaza

by Environment and Ecology Bureau and Electrical and Mechanical Services Department

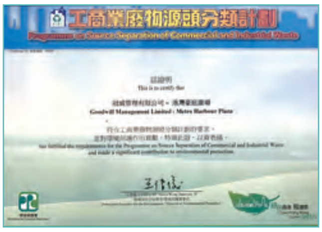
Commendation Scheme on Source Separation of Commercial and Industrial Waste (2022/2023) – Gold Award (Shopping Mall/Arcade)
– Green Code Plaza

by Environmental Protection Department

AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Environmental Leadership (Continued)

Programme on Source Separation of Commercial and Industrial Waste – Metro Harbour Plaza



by Environmental Protection Department

Earth Hour 2023 – Certificate of Appreciation – Green Code Plaza

by WWF-Hong Kong

Caring Company

Caring Company 20 years+ Logo (2003–2024)
by The Hong Kong Council of Social Service

Good MPF Employer 5 Years+ and MPF Support Award
by Mandatory Provident Fund Schemes Authority

Happy Company 2023 and 10 Years+ Certificate
by Promoting Happiness Index Foundation

ERB Manpower Developer Award Scheme – Super MD Award (2020–2025)
by Employees Retraining Board

AWARDS, CERTIFICATES AND MEMBERSHIPS (Continued)

Community Contributions

Heart To Heart Company (2005–2024)
by The Hong Kong Federation of Youth Groups

Hong Kong Volunteer Award 2023 – Top 10 Highest Volunteer Hours Award (Corporate with 101–999 full-time employees)
by Home and Youth Affairs Bureau and Agency for Volunteer Service

Social Capital Builder Logo Award (2022–2024)
by Home and Youth Affairs Bureau and Community Investment and Inclusion Fund

Outstanding Industrial Attachment Scholarships 2023
by Vocational Training Council

Silver Sponsor 6.25 Day of the Seafarer 2023
by Hong Kong Seamen's Union

Caring "Inclusion" Joy Charity Walk 2023 – Certificate of Appreciation
by Hong Kong Federation of Handicapped Youth

WELL DUNK! Charity Corporate 3x3 Basketball Tournament 2023 – Certificate of Appreciation
by InspiringHK Sports Foundation

Quality Services

Hong Kong Q-Mark Service Scheme – Hong Kong Q-Mark Certificate for Harbour Cruise - Bauhinia
by The Hong Kong Q-Mark Council, Federation of Hong Kong Industries

Hong Kong Top Brand Mark Scheme – Ordinary & Premier Mark
by Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong

ISO 9001:2015 Quality Management System Certification for Harbour Cruise - Bauhinia
by Intertek

ISO 9001:2015 Quality Management System Certification for The Hongkong and Yaumati Ferry Company Limited
by Lloyd's Register Quality Assurance Limited

ISO 9001:2015 Quality Management System Certification for The Hong Kong Shipyard Limited
by Lloyd's Register Quality Assurance Limited

Membership	Organisation
Corporate Member	Hong Kong Brand Development Council
Corporate Member	International Food Safety Association
Corporate Member	The Institute of Purchasing & Supply of Hong Kong
Green Cross Group Member	Occupational Safety & Health Council
Member	Data Protection Officers' Club
Member	Employers' Federation of Hong Kong
Member	Hong Kong Federation of Restaurants & Related Trades Limited
Organisation Member	The Chartered Institute of Logistics and Transport in Hong Kong

SUSTAINABILITY GOVERNANCE

Sustainability Governance Structure

Board Statement

The Board has oversight and fundamental accountability for ESG matters, including management approach, strategy and performance. The Group's ESG matters, including climate-related risks and opportunities, are incorporated into the board meetings' agenda on a regular basis. The Board is tasked with providing strategic ESG direction, reviewing and endorsing ESG-related policies and targets, and approving our ESG Report. The Board also monitors the performance of our sustainability-related programmes and progress towards our 2030 environmental targets, while ensuring alignment with the Group's vision and mission.

ESG Working Group

The ESG working group, comprising representatives from all business units, was established to assist the Board in overseeing and managing material ESG issues in a systematic manner. The ESG working group is dedicated to driving the Group's approach to the management of our ESG risks and opportunities by combining the top-down strategic perspective with bottom-up processes to comprehensively identify and assess sustainability risks across all our business divisions. Furthermore, in compliance with our internal risk management process and control systems, the ESG working group is responsible for reviewing, evaluating and monitoring specific sustainability risks, including long-term staff recruitment, occupational safety and regulatory compliance, as well as reporting these risks to the Board.

SUSTAINABILITY GOVERNANCE (Continued)

Stakeholder Engagement

The Group is committed to integrating stakeholders' feedback into our decision-making process. As such, we maintain an ongoing dialogue with key stakeholders who are substantially impacted by the Group's operations and reasonably expected to influence the effectiveness of the Group's strategies and policies related to ESG issues. Effective communication with our stakeholders enables us to gain an in-depth understanding of their expectations, thereby adjusting the Group's strategic planning and business development. The communication channels used to engage with various stakeholder groups are illustrated in the table below.

Stakeholder Group	Communication Channels
Employees	• Internal newsletters • Staff activities • Birthday lunch • Surveys • Employee performance appraisals
Shareholder/Investor	• Announcements, circulars, financial reports and other corporate communication • Annual general meetings • Company website • Investors' meetings or presentations • Email • Social media
Clients/Customers	• Company website • Email and hotline • Questionnaires • Social media
Suppliers/Vendors	• Company website • Email and telephone • Questionnaires • Meetings
Business Partners	• Company website • Email and telephone • Questionnaires • Meetings
Government/Regulators	• Compliance inspections and supervision • Regular report disclosure • Telephone • Seminars
Community	• Company website • Charitable activities and community services • Social media

SUSTAINABILITY GOVERNANCE (Continued)

Materiality Assessment

During the Reporting Year, the Group engaged an independent consultant to conduct a materiality assessment. The assessment primarily involved assessing and prioritising ESG issues related to the Group, with reference to the Global Reporting Initiative ("GRI") and the ESG Reporting Guide. Our 4-step approach to materiality assessment is outlined below:

1 Identification

- Identify and review a list of ESG issues with reference to the GRI, the ESG Reporting Guide, the Group's businesses and culture
- Identify key stakeholder groups

2 Engagement

- Collect views and opinions of both internal and external stakeholders through online survey

3 Prioritisation

- Analyse the results collected from stakeholders and prioritise the identified ESG issues based on their importance to the Company and stakeholders

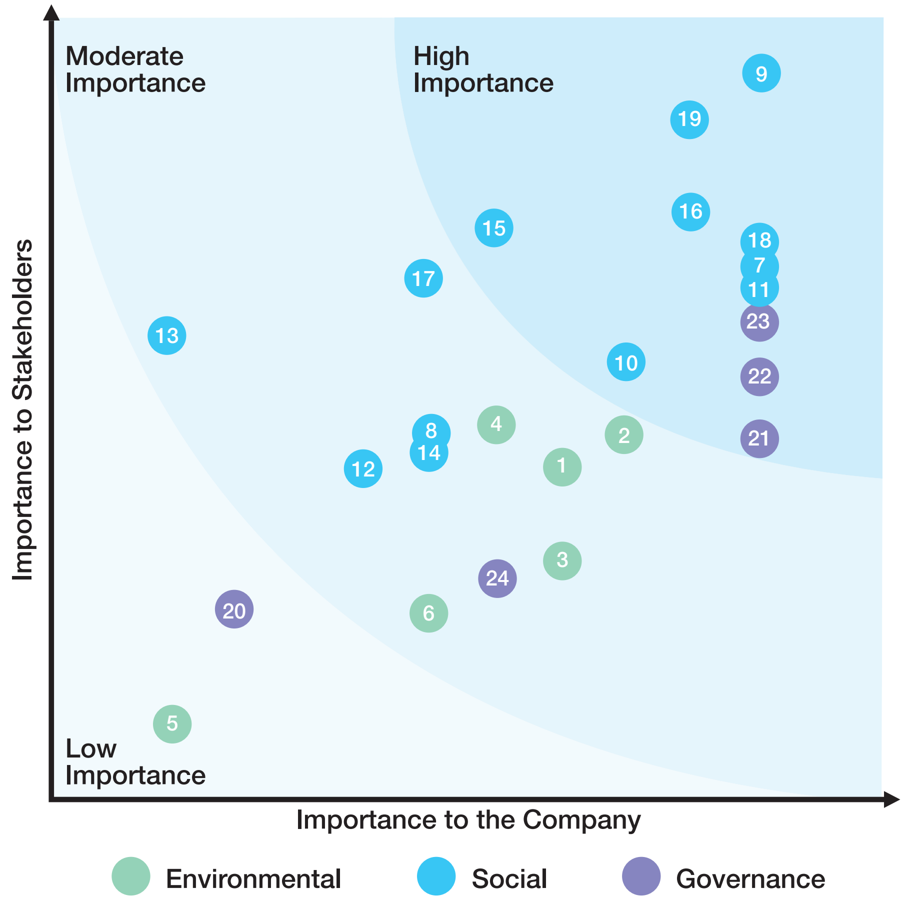
4 Validation

- Discuss the results of the materiality assessment with senior management

SUSTAINABILITY GOVERNANCE (Continued)

Materiality Assessment (Continued)

The matrix below illustrates 24 material ESG issues, reflecting their relative importance to the Group's strategic implementation and business operations.



Environmental	Social	Governance
1. Energy efficiency	7. Employee well-being	20. Anti-corruption
2. Emissions reduction	8. Employment practices	21. Corporate governance
3. Water conservation	9. Occupational health and safety	22. Risk management
4. Waste management	10. Staff training and development	23. Business ethics
5. Use of packaging materials	11. Talent attraction and retention	24. Stakeholder engagement and collaboration
6. Climate change	12. Diversity and inclusion	
	13. Elimination of child and forced labour	
	14. Supply chain management	
	15. Service/product quality	
	16. Customer health and safety	
	17. Quality assurance	
	18. Consumer data protection and privacy	
	19. Community investment and engagement	

SUSTAINABILITY GOVERNANCE (Continued)

Risk Management

The Group has effective ESG risk management and internal control systems in place to identify, assess and manage ESG risks associated with our business operations, including climate-related risks. Risk assessment matrix is adopted to determine the risk rating based on risk consequence and risk likelihood.

In our risk management framework, the Board has the overall responsibility for the Group's risk management and internal control systems, as well as evaluating the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Audit Committee supports the Board in monitoring risk exposure, design and operating effectiveness of the risk management and internal control systems. The line management is responsible for identifying, assessing and mitigating risks at business unit level and across functional areas. The Internal Risk Management Team sets the relevant policies and reviews the risk assessment reports submitted by the line management on a regular basis. The risk assessment reports document the line management's assessment of key risks, the strengths and weaknesses of the internal control systems, with control strategies to address weaknesses identified in their respective operating sections. The Internal Audit Department supports the Audit Committee in reviewing the effectiveness of our risk management and internal control systems.

The diagram below demonstrates our 4-step approach to risk management.

1	**Preparation** • Understanding organisational objectives from operational, financial and compliance perspectives
2	**Risk Identification and Assessment** • Identifying the risk associated with achieving organisational objectives and assessing the likelihood and potential impact of particular risks
3	**Risk Response** • Developing programmes to address the identified risks
4	**Risk Monitoring and Evaluation** • Ongoing monitoring and evaluating the risks, internal control and the arrangements in place to address them

Anti-Corruption

The Group is committed to upholding high standards of ethical business behaviour across all our business operations. We adopt a zero-tolerance approach to any form of bribery, money laundering, extortion and fraud.

Our Business Ethics and Code of Business Conduct Policy, Anti-Corruption and Bribery Policy, Code of Conduct, along with the guidelines and policies, clearly outline the expectations for professional, appropriate and ethical behaviour for all employees. All employees of the Group must adhere to the relevant policies concerning bribery, anti-corruption, money laundering, and anti-competition. Accepting money or any gifts from customers, suppliers, contractors, related authorities or other business partners is strictly prohibited for our employees. We also issue memoranda to all employees to ensure awareness of anti-corruption measures and understanding of our Code of Conduct.

SUSTAINABILITY GOVERNANCE (Continued)

Anti-Corruption (Continued)

To provide our employees with ethical conduct reviews and recent information relating to anti-corruption, the Group from time to time invites the Independent Commission Against Corruption to conduct training sessions for relevant staff. These sessions are particularly targeted towards business units that are at higher risk of corruption, such as purchasing and procurement, tendering, sales and marketing. Additionally, relevant training materials have been distributed to our Board of Directors to further enhance their understanding of ethical practices and anti-corruption measures.

The Group has established a Whistleblowing Policy to encourage employees to report any suspected unethical behaviour. This policy provides a reporting channel and guidance for whistleblowing, allowing employees to report grievances or concerns about suspected irregularities, malpractices or misconduct within the Group. We are committed to keeping the identity of the whistleblower and the details of any investigation confidential. Every report received is carefully assessed by the Whistleblowing Committee, which will decide if an investigation is required. For more information, please refer to the sub-section headed “Risk Management and Internal Control” in the “Corporate Governance Report” of our Annual Report 2023.

During the Reporting Year, there were no confirmed cases of non-compliance with the anti-corruption regulations of Hong Kong.

OPERATING PRACTICES

The Group has been delivering high-quality products and services to our customers. We recognise that our long-term success depends not only on our performance, but also on the performance of our supply chain partners, who share our values and vision for a sustainable future. We strive to foster ethical and responsible practices throughout our supply chain network.

Product and Service Responsibilities

The Group is committed to providing customers with high-quality and responsible products and services and has established a policy to guide employees on quality assurance, intellectual property rights and customer privacy. During the Reporting Year, there were no reported cases of non-compliance with relevant laws and regulations in respect of the products and services quality.

Our Business Ethics and Code of Business Conduct Policy underpins our commitment to protecting personal data privacy and the confidentiality of all information collected from our customers. Our employees have easy access to the Group’s Employee Internet and Email Use Policy, which covers the use and management of data and information in accordance with the relevant regulatory requirements. It is mandatory for all employees to comply with these internal guidelines to ensure that customer data is handled in a safe and secure manner. To address potential regulatory risks that may significantly affect our business, Harbour Cruise - Bauhinia has updated its data collection statement on its website from passive consent to active consent in accordance with the user consent requirements of the General Data Protection Regulation (“GDPR”)[2].

[2] According to the user consent requirements of GDPR, consent of customer means specific, informed, and unambiguous indication of the wishes by the customer, using a statement or a clear affirmative action, which signifies agreement to the processing of personal data relating to the customer.

OPERATING PRACTICES (Continued)

Product and Service Responsibilities (Continued)

At Harbour Cruise - Bauhinia, we are aware of the potential concerns regarding intellectual property rights and music copyright laws. To address these concerns, we use licensed computer software and have paid all necessary music royalties under a Copyright Music Performance Licence Contract. Harbour Cruise - Bauhinia is also registered as a trademark with the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government.

Our shipyard, ferry and Harbour Cruise - Bauhinia operations adhere to the ISO 9001:2015 Quality Management System to ensure that quality products and services are delivered and that customer expectations and relevant regulatory requirements are fulfilled. Since the health and comfort of our customers are directly related to satisfaction, we continuously monitor indoor air quality at our managed properties. During the Reporting Year, both Metro Harbour Plaza and Green Code Plaza participated in the Environmental Protection Department's Indoor Air Quality Certification Scheme for Offices and Public Places. Metro Harbour Plaza and Green Code Plaza have again, for the period 2023/24, successfully achieved the Good Class objectives.

We strive for service excellence by making informed decisions based on an in-depth understanding of our customers' needs and expectations. To achieve this, we have implemented various engagement channels, including customer satisfaction surveys, to gather feedback in a systematic and proactive manner. In addition, we have established a comprehensive product and service complaints mechanism in compliance with the requirements of ISO 9001:2015, which includes our quarterly Docking Repair Service Customer Satisfaction Survey and bi-annual On-Time Maintenance Services survey.

For our medical, health and wellness business, complaints are handled by the person-in-charge and reported to the manager. Safety or compliance-related complaints are immediately reported to the manager and handled by either the person-in-charge or the manager, as appropriate. During the Reporting Year, the Group received no material complaint relating to product and service quality. Additionally, logos of our developed brands are registered as trademarks with the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government.

The frequency and overall results of customer satisfaction surveys

Business Unit	Frequency	Satisfaction Rate
Harbour Cruise - Bauhinia	Weekly	97%
Shipyard Operation	Quarterly	97%
Dangerous Goods Vehicular Ferry Services	Half-yearly	99%
Health and Wellness – Medical Aesthetic Clinic and Premium Beauty Service Centre	All customers	80%
Health and Wellness – Offering of Total Healthcare Solutions to Business and Consumers	Yearly	63%

OPERATING PRACTICES (Continued)

Supply Chain Management

The Group has formulated the Climate Change Policy and Environmental Policy to address the growing global threat posed by climate change and to demonstrate our dedication to environmental protection and well-being of the society through collaboration with various stakeholder groups. The Climate Change Policy encourages our suppliers, consultants, contractors and business partners to reduce carbon emissions and energy consumption in their daily operations, incorporates climate change considerations into our procurement process and encourages the use of low carbon, low embodied-energy and energy efficient products and materials. The Environmental Policy cultivates environmental awareness in our decision-making and operating practices, gives priority to environmentally-friendly designs, materials and approach, and favours consultants, contractors and suppliers who follow environmentally-friendly practices in providing their designs, services and products. Our Code of Conduct outlines our requirements on ethical standards, labour rights and environmental practices.

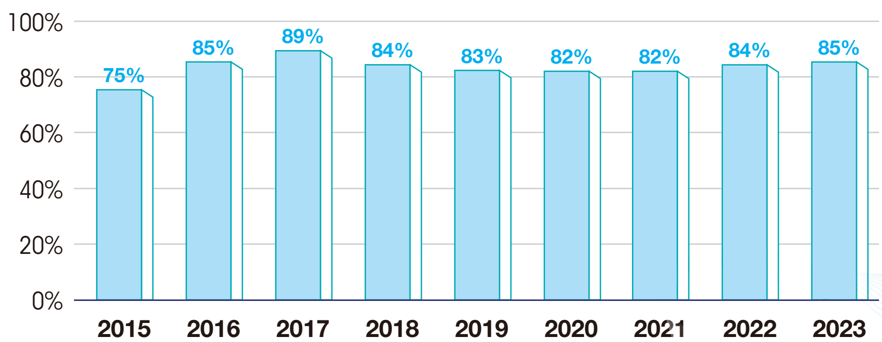
We implement our commitments and initiatives by establishing evaluation criteria for our suppliers' engagement and tender process. These criteria include product and service quality, safety performance, operational needs, price and compliance with our Code of Conduct. We ensure that our suppliers' interests are aligned with our commercial, environmental and social requirements.

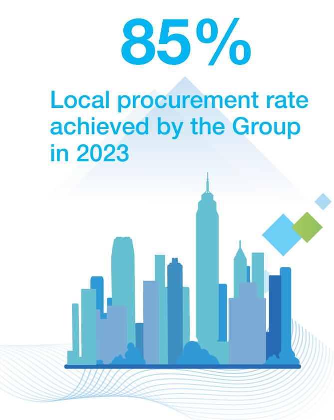
We have adopted a stringent monitoring system to ensure compliance with our ESG commitments. Our property development operations conduct safety audits, while our other operations conduct supplier evaluations to identify areas of concern and recommend remedial actions. We have remained committed to reducing our impact on the environment and promoting sustainability throughout our supply chain. To meet the changing global requirements, since 2021 and during the Reporting Year, we have incorporated ESG-related supplier certifications in our supplier review process by considering Energy Audit, Carbon Audit and GRI as factors that may affect our supplier selection.

For any new supplier onboarding, the Supplier Evaluation Report will be produced according to different acceptance criteria and needs to be approved by our senior management before being included in our Approved Supplier Lists.

As a company based in Hong Kong, we are committed to supporting the local economy through local sourcing and procurement. This approach not only supports local businesses but also contributes to carbon emission reduction by minimising transport distance. During the Reporting Year, we maintained a local procurement rate of 85%, marking our 8th consecutive year with a rate exceeding 80%. During the Reporting Year, our Harbour Cruise - Bauhinia business, medical aesthetic clinic and premium beauty service centre, healthcare solutions business and medical specialists centre achieved a 100% local sourcing rate from Hong Kong suppliers. In 2023, we continued our efforts to advocate for environmentally friendly products and services, while keeping attention on the occupational health and safety practices of our suppliers.

Overall local procurement rate of the Group





PEOPLE AND COMMUNITY

The success of our business depends on the excellence of our employees. We appreciate and nurture the skills and talents of our workforce, which are essential for the Group's long-term development and growth. The Group understands that fostering a supportive, inclusive and collaborative work environment is not just a corporate responsibility, but also a strategic investment in our future, allowing our employees to thrive and reach their full potential.

The Group has established a rooftop garden to promote employee well-being and environmental sustainability. Employees can take a break from work and get close to nature. We believe that this rooftop garden can foster a sustainable future.

Occupational Health and Safety

To foster a secure and healthy environment for our employees, contractors and visitors, the Group has Safety Policy and Safety Plan in place to reflect our commitment to protecting their occupational health and safety. To create a safe working environment, we have taken preventive steps to reduce the risk of occupational hazards in our premises. Our Substance Use Policy strictly prohibits the use of alcohol and drugs in the workplace for all shipyard employees, contractors and suppliers. We regularly send reminders to our employees to ensure they are aligned with and understand our policies. Non-compliance with these policies is taken seriously, and violations may lead to disciplinary actions up to and including termination of employment.

In terms of other preventive measures, the Safety Committee is responsible for overseeing safety management and risk control of the shipyard. The Safety Officer and Supervisors operate the safety management system and conduct safety inspections to ensure that all employees are able to work safely and are provided with appropriate safety gear and personal protective equipment. The committee generates weekly safety inspection reports to identify areas for immediate correction and potential safety hazards, and to develop best practices for future use.

In addition, we conduct quarterly safety meetings with staff, workers and contractors to provide updated policies, directions and regulations regarding occupational health and safety. To further foster a culture of safety, we arrange daily morning exercises and safety briefing sessions for our frontline workers and staff before the commencement of their duties. We also provide occupational health and safety videos to remind our frontline workers to put safety first.

PEOPLE AND COMMUNITY (Continued)

Occupational Health and Safety (Continued)

During the Reporting Year, we provided safety-related training to our employees, which accounted for more than one-third of our total approximately 4,548 training hours. For more details, please refer to below sub-section headed "Development and Training" under this section.

Fire safety is among our top focus areas in our operations. In addition to drills on vessels twice a month, monthly drills at pier and quarterly joint drills of Harbour Cruise - Bauhinia and our Dangerous Goods Vehicular Ferry Services, we collaborated with Tsing Yi fire station to conduct a fire drill in 2023 to demonstrate and update our employees on the latest information regarding fire safety.

To raise awareness about the dangers of heatstroke and prevent employees from experiencing heat-related symptoms during outdoor work and activities, the Group organised a lecture on "Prevention of Heatstroke" during the Reporting Year.

Our medical aesthetic and beauty business offers a range of treatments, some of which require the use of special equipment and tools, including equipment that generates high heat, laser or high energy. We strictly control and limit the use of such equipment and ensure that only employees who have been trained and passed examinations are assigned to operate them.

PEOPLE AND COMMUNITY (Continued)

Occupational Health and Safety (Continued)

In our medical specialists centre, we establish clinic hygiene and infection control measures in accordance with the guidelines of the Department of Health.

The Group recognises that the health of our employees is critical to our business operations. To ensure the well-being of our employees, we provide comprehensive medical insurance coverage for our employees, including outpatient and inpatient coverage for employees and their families, certain free vaccinations and regular medical check-up allowances. Furthermore, we offer other voluntary insurance plans, such as self-insured dental plans for our employees, as well as free health check-ups exclusively for frontline workers, operational ferry staff, cruise kitchen and shipyard employees.

We regretfully report an inadvertent incident occurred at our shipyard, resulting in the unfortunate fatality of one of our employees. In response, we have taken immediate action to reinforce our safety protocols with the Labour Department and confirmed a code of practice for working at height to suit our working environment in order to enhance and enrich our safety measures. We have expanded our Safety Committee with the addition of two members, whose expertise will contribute to the ongoing enhancement of our safety practices by daily and regular site visit safety monitoring without interruption. Furthermore, we have engaged the services of external consultant to conduct a comprehensive review of our existing safety management and risk control systems. This will enable us to identify and address any potential occupational hazards. We are committed to preventing such incident in the future by continually prioritising the safety and security of our employees.

Since the aforementioned incident has already entered into legal proceedings which have not yet been concluded, as of the latest practicable date prior to the printing of this ESG Report for ascertaining certain information therein, there were no reported cases of non-compliance with applicable occupational health and safety laws and regulations in Hong Kong that had a significant impact on the Group during the Reporting Year.

PEOPLE AND COMMUNITY (Continued)

Talent Attraction and Retention

The Group is committed to cultivating a diverse and inclusive workplace. We uphold equal employment practices, regardless of nationality, race, religion, gender, age or family status. Child labour and forced labour are prohibited in our business operations. Our employee remuneration and compensation packages are based on an individual's working experience, merit and responsibilities within the Group. We also provide attractive employee benefits, such as shopping discount offers, maternity and paternity leave, and medical insurance coverage that extends to their family members. To facilitate open dialogue between employees and managers regarding their past performance, future prospects and innovative ideas for the Group, we have established communication channels such as our annual appraisals. In our endeavour to assist our employees in achieving a healthy work-life balance, we provide all employees with adequate breaks and reasonable working hours. For our office staff, we have implemented a five-day work week. During the Reporting Year, the Group participated in the Local Shipping Industry Employer Meeting 2023, which was co-organised by the Hong Kong & Kowloon Motor Boats & Tug Boats Association and Hong Kong Sea School. This event allowed us to engage with and recruit graduates who are interested in pursuing a career in the shipping industry. Through our efforts in talent attraction, retention and industry engagement, we strive to promote the well-being of our employees while maintaining high productivity levels.

In 2023, we organised birthday parties for our employees.

To increase the interaction between employees, we organised employee networking activities, thereby creating a harmonious working environment.

PEOPLE AND COMMUNITY (Continued)

Talent Attraction and Retention (Continued)

After the pandemic, we organised autumn travel with two trips taking place in November and December 2023. These included a two-day tour exploring the culinary delights of Zhongshan and a one-day tour that involved a boat trip to Tung Lung Chau, followed by enjoying seafood in Lei Yue Mun.

In December 2023, we organised a Christmas party with enjoyable food, lucky draw and games for our office staff and frontline workers. We aimed to create a joyful and inclusive atmosphere for our employees. The event was not only a celebration of the festive season but also a recognition of their hard work and dedication throughout the year.

On Easter Eve, the Group distributed butterfly pastries and almond puffs with bunny-shaped packaging to employees to celebrate the holiday.

During the Reporting Year, there were no reported cases of non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and preventing child and forced labour that had a significant impact on the Group.

PEOPLE AND COMMUNITY (Continued)

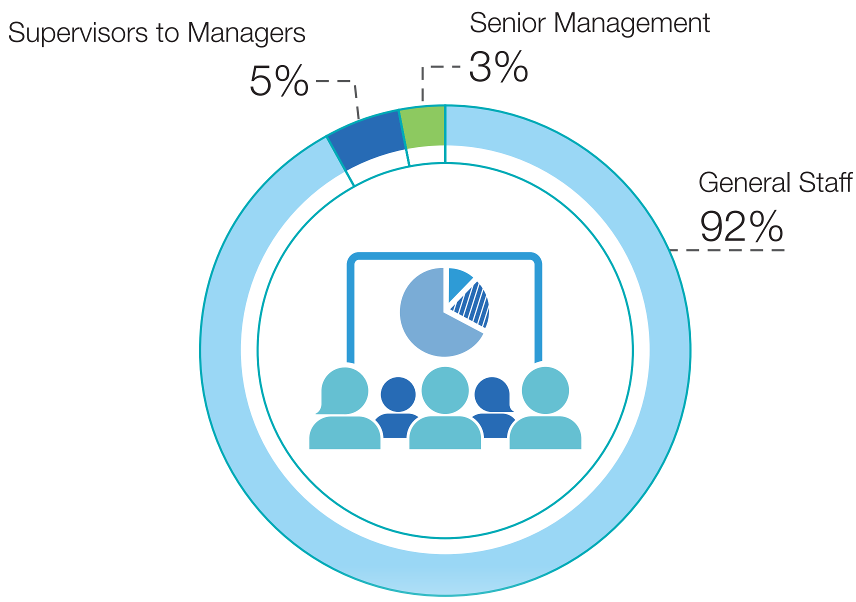
Development and Training

The Group is dedicated to promoting a culture of continuous learning and personal growth for our employees, which is critical to the Group's business continuity and resilience. During the Reporting Year, we arranged health seminars for both office and front-line staff to improve employees' health and safety awareness. In addition, we also arranged Automated External Defibrillation and Cardiopulmonary Resuscitation training for front-line staff to equip them with the necessary skills to handle emergencies. To motivate all employees to participate in training programmes relevant to their roles and professional aspirations, we offer both financial and non-financial incentives. For employees who have completed certain qualifications or professional attainments, they will be considered a salary increment.

Each year, we allocate a specific budget to sponsor our staff to participate in award-bearing courses and other external training programmes, both for personal development and job enrichment.

As we transit into the post-COVID era, we have adopted a hybrid approach to offer both face-to-face and online training to our employees. We believe that this approach effectively meets the needs of our employees and ensures they receive training regardless of time and space constraints.

Percentage of employees' training hours by employee category during the Reporting Year



PEOPLE AND COMMUNITY (Continued)

Development and Training (Continued)

Lecture on “Making Good Use of ChatGPT and Other AI Tools”

To promote continuous learning and innovation, the Group organised an informative lecture on “Making Good Use of ChatGPT and Other AI Tools”. This lecture aimed to equip our employees with the necessary knowledge and skills to effectively leverage AI-powered tools in their daily work, thereby improving work efficiency and productivity.

International Exchange Programme

In 2023, two apprentices from our shipyard were successfully admitted to the International Exchange Programme launched by the Office of the Director of Apprenticeship. This opportunity allowed our apprentices to engage in overseas short-term technical courses and visit local enterprises. By participating in this programme, our apprentices were able to expand their knowledge, gain valuable industry experience and broaden their horizons.

PEOPLE AND COMMUNITY (Continued)

Community Investment

As a responsible corporate citizen, the Group is committed to contributing to the community where we operate and creating a positive social impact while benefiting our business. We believe that it is our obligation to give back to the society and help those in need. Therefore, we provide assistance to underprivileged groups through various community activities and charity projects.

Hong Kong Ferry Group's 100th Anniversary Ceremony

In celebration of its centennial anniversary, the Group organised a celebratory ceremony. We extended invitations to mentors and mentees of the Strive and Rise Programme from Henderson Land Group and the Centum Charitas Foundation to participate in the Harbour Cruise - Bauhinia tour and enjoy the amazing views of Victoria Harbour.

During the ceremony, we presented certificates and gold coins to a total of 28 employees who have contributed their talents and expertise to the Group for 30 years or more in recognition of their loyalty and dedication.

PEOPLE AND COMMUNITY (Continued)

Community Investment (Continued)

The Group and the Hong Kong Community

Guided by our Board and senior management, we remain committed to generating long-term shared value for the community of Hong Kong. The three principles of "Love Hong Kong", "Love Victoria Harbour", and "Care for the People" are deeply rooted in our corporate culture.

In line with these principles, the Group engaged in collaborative efforts with the Marine Region, the Public Relations Wing of the Hong Kong Police Force, the Anti-Deception Coordination Centre of the Commercial Crime Bureau, and Project SILVERSHIELD. Through this collaboration, we successfully launched the new anti-deception ferry "*Ping On*", which will be in service for a year to showcase anti-deception messages. The ferry features anti-deception mascots "*The Little Grape*", "*Chai Chai*" and "*Ping On family*". The objective of this initiative is to effectively disseminate anti-deception messages and enhance public awareness regarding scam prevention.

PEOPLE AND COMMUNITY (Continued)

Community Investment (Continued)

The Group and the Hong Kong Community (Continued)

The Group has been driven by the core value of "Caring for our Community", enabling us to contribute to Hong Kong's sustainable development. Our cross-harbour vehicular ferry services had played a pivotal role in Hong Kong's economic growth by facilitating commuter transportation between Hong Kong Island and the Kowloon Peninsula, until its end of service in 1998. During the Reporting Year, we continued to host our signature "Classic Vehicular Ferry Ride" to embrace this historically significant commute. Participants had the opportunity to drive their cars onto our ferry, a cherished part of Hong Kong's collective memory. This was the first time for many of the younger generation to experience this unique journey. Participants were able to enjoy the magnificent view of Victoria Harbour while savouring some local snacks. Through this event, we aim to preserve the collective memories and experiences of the Hong Kong community and provide the new generations with a glimpse of Hong Kong's ferry history.

In addition, the Group leveraged our unique capabilities to support large-scale local events. The Group assisted in the exhibition of the world-renowned public art piece, the yellow "Rubber Duck" in Victoria Harbour in both 2013 and 2023. On Father's Day in 2023, the Group organised Harbour Cruise - Bauhinia tours, allowing people to enjoy the view of Victoria Harbour and take close-up pictures with the giant ducks.

PEOPLE AND COMMUNITY (Continued)

Community Investment (Continued)

Caring for the Community

The Group strives to support the community by focusing on four areas: serving underprivileged families, children and the elderly as well as providing a platform for learning and exchanging knowledge.

Industry Knowledge and Experience Sharing

We are committed to promoting a culture of knowledge sharing with professionals, academia, non-governmental organisations, students and others. Our goal is to bring positive effects to the industry and further contribute to the social and economic development of Hong Kong. To achieve this, we offer regular internship programs for students from tertiary institutions, Hong Kong Sea School and secondary schools to share our knowledge with the community.

During the Reporting Year, we arranged visits to our shipyard, organised job-sharing sessions in the local shipyard industry, and facilitated student-management conversations to inspire students' nautical interests. We strongly believe that these learning opportunities not only equip students with hands-on experience in the shipyard industry, but also provide inspiration for their future career endeavours.

Event: Strive and Rise Programme

The Group supported the Strive and Rise Programme and nearly 600 mentors and mentees were invited to board the Harbour Cruise - Bauhinia in August and September 2023. The aim was to share knowledge about the shipping industry and arouse the curiosity of the younger generation towards the marine and shipping industry. This programme broadened the horizons of young people by providing a platform for the exchange of ideas and experiences.

PEOPLE AND COMMUNITY (Continued)

Community Investment (Continued)

Caring for the Community (Continued)

Industry Knowledge and Experience Sharing (Continued)

Event: Hong Kong Federation of Youth Groups – Shipyard Visit

The Hong Kong Federation of Youth Groups organised a visit for 40 children to our shipyard. Throughout the visit, we provided an overview of the shipyard operations, introduced the roles and responsibilities of engineers, and explained the maintenance procedures. In addition, we offered insights into the structure of ships, thereby cultivating children's interest in the marine and shipping industry.

Event: Field Site Visit of Property Development Project

In November 2023, around 50 master's students and 4 faculty members from the Faculty of Building Services Engineering conducted a field site visit to our property development project "The Symphonie", which was recommended by the Asian Institute of Intelligent Buildings. The visit provided students with an opportunity to apply their knowledge directly to a real-world construction project.

PEOPLE AND COMMUNITY (Continued)

Community Investment (Continued)

Caring for the Community (Continued)

Corporate Volunteer Team

Upholding our core values of "Caring for the Community", we remain committed to environmental protection and caring for underprivileged groups. In 2023, our Corporate Volunteer Team supported and participated in 20 volunteer activities and community events, contributed around 596 engagement hours and benefited more than 2,100 people in our community.

The Group was honoured to receive the Corporate Award for "Top 10 Highest Volunteer Hours Award (Corporate with 101-999 full-time employees)" at the Hong Kong Volunteer Award 2023. This recognition highlights the contributions made by our employees in giving back to the community.

Our employees, serving as volunteers, participated in the "Eating with Health and Joy 2023" event, providing service to around 100 elderly people.

PEOPLE AND COMMUNITY (Continued)

Community Investment (Continued)

Caring for the Community (Continued)

Corporate Volunteer Team (Continued)

Our shipyard staff and apprentices participated in the WELL DUNK! Charity Corporate 3x3 Basketball Tournament 2023, aiming to raise funds for housing estate basketball leagues and training programmes.

ENVIRONMENT AND RESOURCES

Our Environmental Policy outlines our principles and approaches to the sustainable management of our environmental footprint. We are dedicated to strengthening our sustainability efforts by incorporating innovative solutions into our business operations, fostering environmental consciousness among our employees through education and training, and actively participating in environment-friendly initiatives spearheaded by the Hong Kong Government and non-governmental organisations.

During the Reporting Year, we complied with all applicable laws and regulations regarding environmental protection and there were no non-compliance cases relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and the generation of hazardous and non-hazardous wastes.

ENVIRONMENT AND RESOURCES (Continued)

Climate-related Risk and Mitigation Strategy

Climate change has increased the frequency of extreme weather events that pose a serious threat to various business operations. The impact of climate change has become an important global issue, as evidenced in the 28th United Nations Climate Change Conference. In response to climate-related risks, we have established mechanisms and procedures that allow us to identify, assess and mitigate these risks, thereby preventing potential operational disruptions. In addition, we are committed to enhancing our resilience and preparedness for climate change by integrating climate-related risks into our business decision-making process. We actively explore ways to accelerate our climate action and build a sustainable future for the next generation.

We have conducted a preliminary climate risk assessment to identify the key climate-related risks that may impact our business operations. In terms of physical risks, rising sea water levels can lead to damage to our vessels and yard facilities, especially during the tropical cyclone period when the destructive potential of water waves is at its peak. Another physical risk is the increased frequency of tropical cyclones, which can cause disruptions to our business operations. This increase can result in damage to our vessels, increase the repair costs for vessels and yard facilities, and lead to a reduction in revenue due to a decrease in our production capacity. The severity of these impacts is likely to be exacerbated by the increased intensity of these cyclones, along with increased rainfall and larger storm surges.

In terms of transition risks, we face reputational risks that are tied to changing customer perceptions. Any damage to a customer's vessel could increase customer concern and have a negative impact on our reputation and customer relationships. Another transition risk we encounter is related to regulatory changes. As governments worldwide intensify their efforts to mitigate climate change, they are likely to implement stricter environmental policies. Compliance with these new regulations could result in increased operational costs for the Group.

To effectively manage the climate-related risks, the Group has developed strategies to mitigate these risks and ensure the sustainability and resilience of our business operations. During the tropical cyclone period, we reduce our vessels to be berthed alongside, secure vessels with high strength slings and conduct drills for tropical cyclone precautionary measures. In addition, we monitor sea level rise in Hong Kong waters. To stay informed about potential threats, we monitor announcements from the Hong Kong Observatory regarding sea water waves and levels. Furthermore, we have replaced our yard areas with facilities along the waterfront waterproof and high-integrity alternatives to further enhance our resilience against extreme weather events.

Looking forward, we shall continue to identify climate change risks and opportunities and understand the impacts of climate change on our business activities, building operations and the community.

ENVIRONMENT AND RESOURCES (Continued)

Energy Management and GHG Emissions

From 2011 onwards, the Group has implemented the Energy and Carbon Management Programme and conducted annual energy audits at our two most fuel-intensive subsidiaries, namely The Hong Kong Shipyard Limited and The Hongkong and Yaumati Ferry Company Limited. The results of the energy audit provide us with valuable insights, allowing us to monitor the patterns of energy consumption more effectively and identify potential areas where energy efficiency can be improved.

2030 Electricity Consumption Target

↓30% against 2021 baseline

2030 GHG Emissions Target

↓30% against 2021 baseline

The Group has established 2030 targets, focusing on the reduction of its energy consumption and GHG emissions. To achieve these goals, we have implemented a series of measures to improve energy efficiency. These include the installation of rooftop solar panels, wall-mounted solar lights with an adjustable solar receiver and turn-on sensors, and solar system on two floating pontoons at our shipyard. In addition, we continue to use energy-saving bulbs and reduce daylight exposure by controlling direct sunlight from the windows. As part of our continuous efforts, we shall continue to replace traditional tungsten light bulbs with LED bulbs on the main deck of the ferries, thereby reducing energy consumption.

Case Study: Use of Wall-mounted Solar Lights with Enhanced Features

Since 2021, the Group has installed LED lights and wall-mounted solar lights across our buildings and office premises, which account for a significant portion of our carbon footprint, to improve building performance and energy efficiency.

The wall-mounted solar lights are equipped with adjustable solar receiver and turn-on sensors. These features enhance their efficiency by optimising sunlight exposure during the daytime.

ENVIRONMENT AND RESOURCES (Continued)

Energy Management and GHG Emissions (Continued)

Case Study: Maximising the Use of Renewable Energy System

Renewable energy is important in reducing our reliance on traditional fuels. The Group has installed solar photovoltaic system on the rooftop and two floating pontoons. By utilising solar energy, we not only reduce our carbon footprint but also contribute to the overall transition towards a more sustainable and low-carbon future.

In our property development and investment operations, we continue to explore ways to improve energy efficiency beyond the technical guidance of the Performance-based Building Energy Code published by the Electrical and Mechanical Services Department. We not only adopt green building standards but also incorporate sustainability considerations into the design and construction phases of our projects. Our managed properties proactively participate in various environmental campaigns, contributing to collective efforts to tackle climate challenges. Green Code Plaza participated in "Earth Hour 2023", turning off the lights for an hour to raise awareness about the importance of energy conservation. Further, Green Code Plaza also encourages community-wide participation in saving energy and reducing carbon emissions by supporting the Hong Kong Government's Energy Saving Charter, which, among others, had the property committed to switching off electrical appliances and systems when they are not in use and procuring energy efficient appliances and systems from June 2022 to May 2023 and engaging tenants to adopt energy saving practices together.

For over a decade, the Group has supported the Hong Kong Government's efforts to improve local air quality by utilizing our fuel-efficient technologies. Going forward, we shall continue to reduce energy consumption and GHG emissions in compliance with local and international regulations and standards.

ENVIRONMENT AND RESOURCES (Continued)

Air Quality Improvement

The Group continues to uphold the core value of "Loving Hong Kong and the Harbour" and is committed to enhancing the air quality of the city. For over a decade, we have been proactive in responding to the Hong Kong Government's initiatives to improve local air quality by adopting fuel-efficient technologies and turning off part of the generators during the voyage to reduce engine exhaust emission. Under our replacement programme, we successfully substituted a total of 13 generators and 10 engines on board with environmentally friendly alternatives. Our objective is to reduce our emissions of key air pollutants, including nitrogen oxides ("NOx"), sulphur oxides ("SOx"), and particulate matter ("PM"). As part of our ongoing efforts to improve the environmental performance of our vessels, we have gone beyond the legal requirements by reducing the sulphur content in diesel for our dangerous goods vehicular ferries to 0.001% starting from January 2020. In addition, we have studied using hydrogen, solar and electric power as potential alternatives to our diesel engine to achieve further emission reduction. During the Reporting Year, we installed an electric vehicle charging system to reduce the use of fossil fuels that emit air pollutants.

Case Study: Electric Vehicle Charging System

To minimise the generation of toxic exhaust emissions in the environment, we encourage the use of electric vehicles by installing an electric vehicle charging system in the parking area within our premises, i.e. the shipyard and principal office. We aim to promote the transition to electric vehicles among our employees, logistic suppliers and customer visitors, thereby reducing emissions.

Water Conservation

The Group recognises the importance of water as a scarce and precious resource and is committed to enhancing water conservation. We have conducted regular training sessions for our shipyard staff on the use of water jets, with an emphasis on the importance of water conservation during the cleaning process. In addition, we have installed rainwater harvesting tanks, which allow us to reuse the collected water for vehicle washing, floor cleaning and irrigation purposes. Furthermore, we have replaced our faucets with water-saving ones and upgraded our washing machines to more water-efficient models, facilitating us to conserve water.

ENVIRONMENT AND RESOURCES (Continued)

Waste Management

The Group places great emphasis on proper waste management, acknowledging it as a cornerstone of our commitment to environmental stewardship. Over the years, we have prioritised reducing waste and promoting recycling across our business operations. At our shipyard, we engage contractors to sort and separate scrap metals into steel, aluminium and bronze alloys for further processing and reuse. To responsibly manage waste oil generated from the use of cranes, forklifts and emergency generators, we engage the service of licensed collectors to collect and convert it into high-quality green lubricants. Furthermore, our shipyard previously introduced a "Waste Filter Pressing Treatment Equipment" that utilises powerful pressing equipment to reduce the volume of waste products. The waste oil produced from the process will be collected for further processing. Below is a key highlight of certain hazardous and non-hazardous wastes recycled during the Reporting Year. For more details, including other wastes recycled and other wastes produced but not recycled, please refer to the section headed "Performance Data Summary" of this ESG Report.

Recycled spent oil
11,370 litres

Recycled cooking oil for industrial use
432 litres

Recycled bronze
810 kg

Recycled aluminium
900 kg

Recycled zinc alloy
1,200 kg

Recycled steel scrap
46,900 kg

Processed oily water
8,732 litres

ENVIRONMENT AND RESOURCES (Continued)

Waste Management (Continued)

At Harbour Cruise - Bauhinia, we have implemented a range of waste reduction measures. In addition to providing customers with a green dining menu, an onshore sewage system is located at the ferry pier, which avoided the direct discharge of 2,532 litres of wastewater into the harbour in 2023. In respect of our property development and investment operations, Metro Harbour Plaza was recognised for fulfilling the requirements for the Programme on Source Separation of Commercial and Industrial Waste and Green Code Plaza was awarded at the Commendation Scheme on Source Separation of Commercial and Industrial Waste, both initiatives being organised by the Environmental Protection Department.

Environmental Awareness

The Group believes that environmental awareness among our employees and the general public plays a significant part in creating a sustainable world and promoting positive change in behaviour. We actively encourage our employees to participate in various activities that support sustainable development.

THE WAY FORWARD

The Group has been serving Hong Kong for a century and organised a series of events to celebrate its 100th anniversary. We take pride in our achievements and contributions to the development of Hong Kong. Our centenary is not only a milestone in our history, but also a stepping stone towards our future. We look forward to sustaining our competitive advantages across our diverse portfolio of businesses, which includes property development, property investment, ferry, shipyard and related operations, and healthcare, medical and beauty services. With our motto of “Loving Hong Kong and the Harbour”, we acknowledge that our success is closely intertwined with the well-being of our community and environment, and we are dedicated to further enhancing our sustainability performance. Moving forward, we shall continue to collaborate with our stakeholders to foster sustainable operations, creating shared value for society and exploring new opportunities together with Hong Kong.

PERFORMANCE DATA SUMMARY

HKEX KPI	Description	Unit	2023	2022
A. Environmental				
A1.1	**The types of emissions and respective emissions data** (Note 1)			
	NOx	Tonnes	114.86	93.10
	SOx	Tonnes	1.01	0.82
	PM	Tonnes	4.09	3.31
A1.2	**Greenhouse gas emissions in total and intensity** (Note 2)			
	– Direct GHG emissions (Scope 1)	Tonnes of CO_2e	4,590.43	3,146.18
	– Indirect GHG emissions (Scope 2)	Tonnes of CO_2e	776.45	736.38
	– in total	Tonnes of CO_2e	5,366.88	3,882.56 (Note 4)
	– in intensity (Note 3)	Tonnes of CO_2e per revenue (HK$ million)	29.80	31.10 (Note 4)
A1.3	**Total hazardous waste produced and intensity**			
	Recycled Spent Oil (Note 6.a) – in total – in intensity	Litres Litres/FTE (Note 5)	11,370 41.20	4,200 17.00
	Recycled Used Battery (Note 6.a) – in total – in intensity	Kg Kg/FTE	1,200 4.35	320 1.30
	Ink Cartridge (Note 6.d) – in total – in intensity	Pieces Pieces/FTE	51 0.18	N/A N/A
	Clinical (Medical) Waste (Note 6.d) – in total – in intensity	Kg Kg/FTE	57 0.21	N/A N/A
	Recycled Waste Oil Filtered by Treatment Equipment (Note 6.a) – in total – in intensity	Litres Litres/FTE	1,072 3.88	N/A N/A
A1.4	**Total non-hazardous waste produced and intensity**			
	General Waste (Note 6.a,b,c,d,e) – in total – in intensity	Kg Kg/FTE	17,746 64.30	8,824 35.72
	Food Waste (Note 6.b) – in total – in intensity	Kg Kg/FTE	1,443 5.23	1,202 4.87
	Paper Waste (Note 6.b,c,d) – in total – in intensity	Kg Kg/FTE	1,575 5.71	892 3.61
	Used Cosmetic/Medical/Healthcare Products Packaging Disposed (Note 6.d) – in total – in intensity	Kg Kg/FTE	40 0.14	30 0.12

PERFORMANCE DATA SUMMARY (Continued)

HKEX KPI	Description	Unit	2023	2022
A. Environmental (Continued)				
A1.4 (Continued)	**Total non-hazardous waste produced and intensity** (Continued)			
	Recycled Glass Bottle (Note 6.b) – in total – in intensity	Kg Kg/FTE	503 1.82	304 1.23
	Recycled Paper (Note 6.c,e) – in total – in intensity	Kg Kg/FTE	16,750 60.69	3,160 12.79
	Recycled Aluminium (Note 6.a) – in total – in intensity	Kg Kg/FTE	900 3.26	180 0.73
	Recycled Bronze (Note 6.a,c) – in total – in intensity	Kg Kg/FTE	810 2.93	310 1.26
	Recycled Steel (Note 6.a,c) – in total – in intensity	Kg Kg/FTE	46,900 169.93	33,000 133.60
	Recycled Zinc Alloy (Note 6.a) – in total – in intensity	Kg Kg/FTE	1,200 4.35	3,860 15.63
	Recycled Used Cooking Oil (Note 6.a) – in total – in intensity	Litres Litres/FTE	432 1.57	702 2.84
	Recycled Oily Water (Note 6.a,b) – in total – in intensity	Litres Litres/FTE	8,732 31.64	10,124 40.99
	Recycled Used Battery (Note 6.a) – in total – in intensity	Kg Kg/FTE	200 0.72	323 1.31
	Recycled Plastic (Note 6.a,c) – in total – in intensity	Kg Kg/FTE	210 0.76	10 0.04
A2.1	**Energy consumption by type in total and intensity** (Note 2)			
	– Fuel oil	kWh	18,763,219	15,806,970
	– Electricity	kWh	1,685,835	1,627,852 (Note 4)
	– in total	In 1,000 kWh	20,449	17,435 (Note 4)
	– in intensity (Note 3)	1,000 kWh per revenue (HK$ million)	113.53	139.65 (Note 4)
A2.2	**Water consumption in total and intensity** (Note 6.a,b,c,d,e)			
	– in total	m^3	27,847	22,732 (Note 4)
	– in intensity	m^3/FTE	100.89	92.03 (Note 4)
A2.5	**Total packaging material used for finished products and intensity** (Note 6.d)			
	– in total	Kg	20	5
	– in intensity	Kg/FTE	0.07	0.02

PERFORMANCE DATA SUMMARY (Continued)

<table>
<tr><th>HKEX KPI</th><th>Description</th><th>Unit</th><th colspan="6">2023</th><th colspan="6">2022</th></tr>
<tr><td colspan="15">B. Social</td></tr>
<tr><td colspan="15">Employment and Labour Practices</td></tr>
<tr><td>B1.1</td><td colspan="2">Total workforce by employment type and gender (all in Hong Kong)</td><td colspan="3">Male</td><td colspan="3">Female</td><td colspan="3">Male</td><td colspan="3">Female</td></tr>
<tr><td></td><td>Full-time</td><td>No. of people</td><td colspan="3">161</td><td colspan="3">115</td><td colspan="3">168</td><td colspan="3">79</td></tr>
<tr><td></td><td>Part-time</td><td>No. of people</td><td colspan="3">6</td><td colspan="3">2</td><td colspan="3">1</td><td colspan="3">0</td></tr>
<tr><td></td><td colspan="2">Total workforce by employment type and age group (all in Hong Kong)</td><td colspan="2"><30</td><td colspan="2">30–50</td><td colspan="2">>50</td><td colspan="2"><30</td><td colspan="2">30–50</td><td colspan="2">>50</td></tr>
<tr><td></td><td>Full-time</td><td>No. of people</td><td colspan="2">46</td><td colspan="2">98</td><td colspan="2">132</td><td colspan="2">43</td><td colspan="2">73</td><td colspan="2">131</td></tr>
<tr><td></td><td>Part-time</td><td>No. of people</td><td colspan="2">4</td><td colspan="2">0</td><td colspan="2">4</td><td colspan="2">0</td><td colspan="2">0</td><td colspan="2">1</td></tr>
<tr><td>B1.2</td><td colspan="2">Employee turnover rate by gender</td><td colspan="3">Male</td><td colspan="3">Female</td><td colspan="3">Male</td><td colspan="3">Female</td></tr>
<tr><td></td><td></td><td>%</td><td colspan="3">27.3</td><td colspan="3">32.2</td><td colspan="3">14.3</td><td colspan="3">10.1</td></tr>
<tr><td></td><td colspan="2">Employee turnover rate by age group</td><td colspan="2"><30</td><td colspan="2">30–50</td><td colspan="2">>50</td><td colspan="2"><30</td><td colspan="2">30–50</td><td colspan="2">>50</td></tr>
<tr><td></td><td></td><td>%</td><td colspan="2">47.8</td><td colspan="2">26.5</td><td colspan="2">25.0</td><td colspan="2">11.6</td><td colspan="2">11.0</td><td colspan="2">14.5</td></tr>
<tr><td>B2.1</td><td colspan="2">Number and rate of work-related fatalities</td><td colspan="4">2023</td><td colspan="4">2022</td><td colspan="4">2021</td></tr>
<tr><td></td><td>– By number</td><td>No. of people</td><td colspan="4">1</td><td colspan="4">0</td><td colspan="4">0</td></tr>
<tr><td></td><td>– By rate</td><td>%</td><td colspan="4">0.36</td><td colspan="4">0</td><td colspan="4">0</td></tr>
<tr><td>B2.2</td><td colspan="14">Lost days due to work injury (Note 7)
(including sick leaves taken by employees)</td></tr>
<tr><td></td><td></td><td>Days</td><td colspan="6">1,632</td><td colspan="6">221</td></tr>
<tr><td>B3.1</td><td colspan="2">The percentage of employees trained by gender and employee category</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td></tr>
<tr><td></td><td>– General</td><td>%</td><td colspan="2">82.35</td><td colspan="2">98.88</td><td colspan="2">59.06</td><td colspan="2">95.45</td><td colspan="2">99.34</td><td colspan="2">86.96</td></tr>
<tr><td></td><td>– Supervisors to Managers</td><td>%</td><td colspan="2">70.00</td><td colspan="2">57.89</td><td colspan="2">80.95</td><td colspan="2">57.89</td><td colspan="2">40.00</td><td colspan="2">77.78</td></tr>
<tr><td></td><td>– Senior Management</td><td>%</td><td colspan="2">90.91</td><td colspan="2">100</td><td colspan="2">75.00</td><td colspan="2">62.50</td><td colspan="2">57.14</td><td colspan="2">100</td></tr>
<tr><td></td><td>– Overall</td><td>%</td><td colspan="2">81.23</td><td colspan="2">95.12</td><td colspan="2">62.50</td><td colspan="2">91.50</td><td colspan="2">94.05</td><td colspan="2">86.08</td></tr>
<tr><td>B3.2</td><td colspan="2">The average training hours completed per employee by gender and employee category</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td><td colspan="2">Total</td><td colspan="2">Male</td><td colspan="2">Female</td></tr>
<tr><td></td><td>– General</td><td>Hours</td><td colspan="2">13.69</td><td colspan="2">21.25</td><td colspan="2">3.02</td><td colspan="2">19.35</td><td colspan="2">19.27</td><td colspan="2">19.53</td></tr>
<tr><td></td><td>– Supervisors to Managers</td><td>Hours</td><td colspan="2">5.21</td><td colspan="2">2.20</td><td colspan="2">7.94</td><td colspan="2">2.05</td><td colspan="2">0.65</td><td colspan="2">3.61</td></tr>
<tr><td></td><td>– Senior Management</td><td>Hours</td><td colspan="2">13.82</td><td colspan="2">19.50</td><td colspan="2">3.88</td><td colspan="2">5.88</td><td colspan="2">6.36</td><td colspan="2">2.50</td></tr>
<tr><td></td><td>– Overall</td><td>Hours</td><td colspan="2">12.74</td><td colspan="2">19.42</td><td colspan="2">3.73</td><td colspan="2">17.59</td><td colspan="2">17.63</td><td colspan="2">17.50</td></tr>
</table>

PERFORMANCE DATA SUMMARY (Continued)

HKEX KPI	Description	Unit	2023	2022
B. Social (Continued)				
Employment and Labour Practices (Continued)				
B5.1	**Number of suppliers by geographical region** (Note 8)			
	– Hong Kong	No. of organisations	814	805
	– Mainland China	No. of organisations	71	79
	– Others (e.g. Asia and Europe)	No. of organisations	78	69
B6.1	**Percentage of total products sold or shipped subjected to recalls for safety and health reasons**			
	No. of cases		0	0
B6.2	**Number of products and services related complaints received** (Note 9)			
	No. of cases		2	0
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the reporting year**			
	No. of cases		0	0

Notes:

1. Emission data are confined to The Hongkong and Yaumati Ferry Company Limited. Marine air emissions data are calculated based on harbour craft emissions estimation methodology in Port of Los Angeles Inventory of Air Emissions 2005 Technical Report (https://kentico.portoflosangeles.org/getmedia/59baf614-fdfe-4cfa-9d58-3032d32583d7/2005_Air_Emissions_Inventory_Full_Doc).
2. GHG emission data and energy consumption data in 2022 and 2023 are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited, Harbour Cruise - Bauhinia, the Principal Office and Century Time Holdings Limited. In 2023, the scope was expanded to include additional fuel types, resulting in relatively higher levels of GHG emissions and energy consumption compared to 2022.
3. With consideration of the scope, the intensity figures of GHG emissions and energy consumption for 2022 and 2023 are calculated using the total revenue generated from the ferry, shipyard and Harbour Cruise - Bauhinia operations and healthcare, medical aesthetic and beauty services (HK$ million).
4. These data have been restated due to the expansion of scope.
5. FTE: Full-time equivalent employees; excluding part-time employees.
6. The data in 2023 are confined to:
   a. The Hong Kong Shipyard Limited
   b. Harbour Cruise - Bauhinia
   c. The Hongkong and Yaumati Ferry Company Limited
   d. Century Time Holdings Limited
   e. Principal Office
7. The significant increase in the lost days due to work injury in 2023 was mainly attributable to the traffic accident encountered by a tour bus carrying our staff after work.
8. Supplier data in 2023 are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited, Harbour Cruise - Bauhinia, Century Time Holdings Limited and Galaxy Harbour Limited.
9. In 2023, two minor complaints were received by our healthcare solutions business.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Section/Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment and Resources
KPI A1.1	The types of emissions and respective emissions data.	Environment and Resources – Air Quality Improvement; Performance Data Summary
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Performance Data Summary
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment and Resources – Energy Management and GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment and Resources – Waste Management The Group has not set a waste reduction target.
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment and Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment and Resources – Energy Management and GHG Emissions
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.	There were no issues in sourcing water that is fit for purpose and the Group has not set a water efficiency target.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Performance Data Summary

HKEX ESG REPORTING GUIDE CONTENT INDEX (Continued)

Aspects, General Disclosures and KPIs	Description	Section/Remarks
A. Environmental (Continued)		
Aspect A3: The Environmental and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment and Resources – Climate-related Risk and Mitigation Strategy
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.	Environment and Resources – Climate-related Risk and Mitigation Strategy
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People and Community – Talent Attraction and Retention
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Performance Data Summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People and Community – Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Performance Data Summary
KPI B2.2	Lost days due to work injury.	Performance Data Summary
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People and Community – Occupational Health and Safety

HKEX ESG REPORTING GUIDE CONTENT INDEX (Continued)

Aspects, General Disclosures and KPIs	Description	Section/Remarks
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.	People and Community – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	People and Community – Development and Training; Performance Data Summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People and Community – Talent Attraction and Retention
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People and Community – Talent Attraction and Retention
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People and Community – Talent Attraction and Retention
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Performance Data Summary
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices – Supply Chain Management

HKEX ESG REPORTING GUIDE CONTENT INDEX (Continued)

Aspects, General Disclosures and KPIs	Description	Section/Remarks
B. Social (Continued)		
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.	Operating Practices – Product and Service Responsibilities
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Performance Data Summary
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Operating Practices – Product and Service Responsibilities; Performance Data Summary
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices – Product and Service Responsibilities
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices – Product and Service Responsibilities
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practices – Product and Service Responsibilities
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.	Sustainability Governance – Anti-Corruption
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.	Performance Data Summary
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Sustainability Governance – Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Sustainability Governance – Anti-Corruption
Community		
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.	People and Community – Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	People and Community – Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	People and Community – Community Investment

Independent auditor's report to the members of
Hong Kong Ferry (Holdings) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong Ferry (Holdings) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 98 to 179, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Valuation of investment properties	
Refer to note 1 (accounting policy) and note 11 to the consolidated financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's investment properties which comprise retail properties, car parking spaces and godowns are located in Hong Kong. These investment properties were stated at their fair values of HK$2,489 million as at 31 December 2023 which accounted for 71% of the Group's non-current assets as at that date. The fair values of the Group's investment properties as at 31 December 2023 were assessed by the board of directors based on valuations prepared by a firm of qualified external property valuers. The valuation of the Group's investment properties is complex and involves a significant degree of management judgement and estimation in respect of the determination of capitalisation rates and prevailing market rents, particularly given the dissimilar nature of the investment properties held by the Group. We identified valuation of investment properties as a key audit matter because these properties represent the majority of the Group's non-current assets and because the valuations are inherently subjective and involve a significant degree of judgement and estimation by management which increases the risk of error or potential management bias.	Our audit procedures in relation to valuation of investment properties included the following: – obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based; – assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; – with the assistance of our internal property valuation specialists, discussing with the external property valuers their valuation methodology, without the presence of management, and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with the market available data and government produced market statistics; – comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– 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.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yau Ngai Lun, Alan.

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

20 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	3(a)	374,605	280,632
Direct costs		(234,115)	(179,774)
		140,490	100,858
Other revenue	3(a) & 4	83,723	150,482
Other net loss	4	(902)	(19,557)
Valuation gains on investment properties	3(d) & 11	42,339	20,365
Selling and marketing expenses		(12,736)	(7,453)
Administrative expenses		(74,998)	(62,835)
Other operating expenses		(3,591)	(5,515)
Profit from operations	3(b)	174,325	176,345
Interest on lease liabilities		(265)	(249)
Share of profits less losses of associates		746	1,119
Share of profits less losses of joint ventures		31,830	1,178,702
Profit before taxation	5	206,636	1,355,917
Taxation	6(a)	(20,770)	(56,781)
Profit for the year		185,866	1,299,136
Attributable to:			
Equity shareholders of the Company		190,393	1,299,136
Non-controlling interests		(4,527)	–
Profit for the year		185,866	1,299,136
Earnings per share			
– Basic and diluted	10	$0.53	$3.65

The notes on pages 105 to 179 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**185,866**	1,299,136
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits assets	**(2,901)**	3,362
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	**2,760**	309
	(141)	3,671
Total comprehensive income for the year	**185,725**	1,302,807
Attributable to:		
Equity shareholders of the Company	**190,252**	1,302,807
Non-controlling interests	**(4,527)**	–
Total comprehensive income for the year	**185,725**	1,302,807

The notes on pages 105 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 HK$'000	2023 HK$'000	2022 HK$'000	2022 HK$'000
Non-current assets					
Investment properties	11		2,488,690		2,342,305
Other property, plant and equipment	11		65,647		79,680
Interest in leasehold land	11		32,186		33,555
			2,586,523		2,455,540
Interest in associates	13		6,370		7,157
Interest in joint ventures	14		700,385		946,555
Other financial assets	15		107,189		112,829
Other receivables and prepayments	18(a)		90,970		98,855
Net employee retirement benefits assets	16(b)		2,100		212
Deferred tax assets	22(b)		3,513		6,358
			3,497,050		3,627,506
Current assets					
Inventories	17(a)	1,802,140		1,691,232	
Trade and other receivables	18(b)	164,130		242,415	
Tax recoverable	22(a)	517		742	
Cash and bank balances	19(a)	1,825,434		1,972,726	
		3,792,221		3,907,115	
Current liabilities					
Trade and other payables	20	(212,823)		(183,927)	
Long service payment liabilities	16(c)	(1,152)		–	
Lease liabilities	21	(6,883)		(8,400)	
Bank overdrafts	19(a)	–		(701)	
Tax payable	22(a)	(19,868)		(37,905)	
		(240,726)		(230,933)	
Net current assets			3,551,495		3,676,182
Total assets less current liabilities			7,048,545		7,303,688
Non-current liabilities					
Lease liabilities	21	(2,879)		(9,224)	
Deferred tax liabilities	22(b)	(81,026)	(83,905)	(76,207)	(85,431)
NET ASSETS			6,964,640		7,218,257

	Note	2023 HK$'000	2023 HK$'000	2022 HK$'000	2022 HK$'000
CAPITAL AND RESERVES					
Share capital	*23(b)*		**1,754,801**		1,754,801
Reserves			**5,215,776**		5,463,456
Total equity attributable to equity shareholders of the Company			**6,970,577**		7,218,257
Non-controlling interests			**(5,937)**		–
TOTAL EQUITY			**6,964,640**		7,218,257

Approved and authorised for issue by the board of directors on 20 March 2024.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 105 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Attributable to the equity shareholders of the Company						
		Share capital	Securities revaluation reserve (non-recycling)	Other capital reserves	Retained profits	Total	Non-controlling interests	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 23(b))	*(Note 23(c))*	*(Note 23(c))*				
Balance at 1 January 2022		1,754,801	(24,601)	605	4,273,713	6,004,518	–	6,004,518
Changes in equity for 2022:								
Profit for the year		–	–	–	1,299,136	1,299,136	–	1,299,136
Other comprehensive income		–	309	–	3,362	3,671	–	3,671
Total comprehensive income		–	309	–	1,302,498	1,302,807	–	1,302,807
Dividends approved in respect of the previous year	*9*	–	–	–	(53,441)	(53,441)	–	(53,441)
Dividends declared in respect of the current year	*9*	–	–	–	(35,627)	(35,627)	–	(35,627)
Balance at 31 December 2022 and 1 January 2023		**1,754,801**	**(24,292)**	**605**	**5,487,143**	**7,218,257**	**–**	**7,218,257**
Changes in equity for 2023:								
Profit for the year		**–**	**–**	**–**	**190,393**	**190,393**	**(4,527)**	**185,866**
Other comprehensive income		**–**	**2,760**	**–**	**(2,901)**	**(141)**	**–**	**(141)**
Total comprehensive income		**–**	**2,760**	**–**	**187,492**	**190,252**	**(4,527)**	**185,725**
Dividends approved in respect of the previous year	*9*	**–**	**–**	**–**	**(409,715)**	**(409,715)**	**–**	**(409,715)**
Dividends declared in respect of the current year	*9*	**–**	**–**	**–**	**(35,627)**	**(35,627)**	**–**	**(35,627)**
Shares issued to non-controlling Interests *(note)*		**–**	**–**	**7,410**	**–**	**7,410**	**(1,410)**	**6,000**
Balance at 31 December 2023		**1,754,801**	**(21,532)**	**8,015**	**5,229,293**	**6,970,577**	**(5,937)**	**6,964,640**

Note: During the reporting period, a subsidiary of the Company reached a Subscription and Shareholders Agreement with an external party under which the subsidiary agrees to issue to the external party, and the external party agrees to subscribe for ordinary shares at HK$6,000,000 (the "Subscription"). The Subscription was completed on 19 January 2023.

The notes on pages 105 to 179 form part of these financial statements.

	Note	2023 HK$'000	2023 HK$'000	2022 HK$'000	2022 HK$'000
Operating activities					
Profit before taxation			206,636		1,355,917
Adjustments for:					
Amortisation of leasehold land premium	5(b)	1,369		1,369	
Depreciation	5(b)	18,240		14,508	
Gain on lease modifications	4	(494)		–	
Impairment losses on trade and other receivables	5(b)	98		–	
Impairment loss on trade and other receivables reversed	4	(58)		–	
Change in fair value of other financial assets designated at fair value through profit or loss	4	8,400		23,057	
Net (gain)/loss on disposal of other property, plant and equipment	4	(2)		2	
Valuation gains on investment properties	11	(42,339)		(20,365)	
Construction cost adjustment	4	(5,239)		–	
Interest income	5(b)	(99,096)		(110,569)	
Interest expenses		265		249	
Dividend income from listed investments	5(b)	(6,548)		(6,596)	
Share of profits less losses of associates		(746)		(1,119)	
Share of profits less losses of joint ventures		(31,830)		(1,178,702)	
			(157,980)		(1,278,166)
Operating profit before changes in working capital			48,656		77,751
(Increase)/decrease in net employee retirement benefits assets		(4,789)		430	
Increase in inventories		(142,175)		(377,093)	
Decrease/(increase) in trade and other receivables		85,574		(11,992)	
Increase in trade and other payables		68,277		45,994	
			6,887		(342,661)
Cash generated from/(used in) operations			55,543		(264,910)
Profits tax paid		(30,918)		(17,149)	
			(30,918)		(17,149)
Net cash generated from/(used in) operating activities			24,625		(282,059)

	Note	2023 HK$'000	2023 HK$'000	2022 HK$'000	2022 HK$'000
Investing activities					
Interest received		**100,132**		17,318	
Payment for purchase of other property, plant and equipment		**(4,087)**		(24,344)	
Payment for addition to investment properties		**(105,307)**		(70,135)	
Net repayment from associates		**593**		137	
Proceeds from disposal of investment properties		**–**		6,200	
Loan repaid by a joint venture	*14*	**277,500**		64,400	
Dividends received from a joint venture		**–**		665,600	
Increase in amount due from joint ventures		**–**		(2,500)	
Dividends received from listed investments		**6,548**		6,596	
Dividends received from an associate		**960**		1,500	
Decrease/(increase) in bank deposits with maturity over three months at acquisition		**96,733**		(1,227,073)	
Net cash generated from/(used in) investing activities			**373,072**		(562,301)
Financing activities					
Capital element of lease rental paid	*19(b)*	**(7,948)**		(4,402)	
Interest element of lease rental paid	*19(b)*	**(265)**		(249)	
Proceed from shares issued to non-controlling interests		**6,000**		–	
Dividends paid		**(445,342)**		(89,068)	
Net cash used in financing activities			**(447,555)**		(93,719)
Net decrease in cash and cash equivalents			**(49,858)**		(938,079)
Cash and cash equivalents at 1 January			**150,914**		1,088,993
Cash and cash equivalents at 31 December	*19(a)*		**101,056**		150,914

The notes on pages 105 to 179 form part of these financial statements.

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(g)); and

– investments in equity securities (see note 1(f)).

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

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

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

1 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

(i) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to the financial statements for the current accounting period:

– HKFRS 17, *Insurance contracts*

– Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

– Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

– Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

– Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

1 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

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

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The abolition of the offsetting mechanism did not have a material impact on the Group's profit or loss for the year ended 31 December 2022 and the Group's and the Company's financial position as at 31 December 2022. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

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

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

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

1 MATERIAL ACCOUNTING POLICIES (Continued)

(e) Associates and joint arrangements

An associate is an entity in which the Group or the company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the company has joint control, whereby the Group or the company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Investments in securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

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

1 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Investments in securities (Continued)

Non-equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(s)(v)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

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

(g) Investment properties

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

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 1(s)(i).

1 MATERIAL ACCOUNTING POLICIES (Continued)

(h) Other property, plant and equipment

The following property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(i)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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

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

Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 20 years
Machinery, furniture and other plant and equipment	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

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

1 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Leased assets

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

As a lessee

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

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

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

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 1(f), 1(s)(v) and 1(j)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

1 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'Other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(s)(i).

1 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates and joint ventures);

– contract assets (see note 1(k)(iii));

– non-equity securities measured at FVOCI (recycling) (see note 1(f)); and

– lease receivables.

Financial assets measured at fair value, including units in trust funds and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate; and

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

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

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

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

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

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

Significant increases in credit risk (Continued)

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

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

Write-off policy

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

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

(ii) Credit losses from financial guarantees issued

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

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

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

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(j)(i) apply.

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

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

(iii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

(k) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Inventories (Continued)

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

(iii) Contract assets

Contract assets are recognised when the Group recognises revenue (see note 1(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs (see note 1(j)(i)) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(l)).

(iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 MATERIAL ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 1(j)(i)).

(m) Trade and other payables

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

(n) Contract liabilities

A contract liability is recognised as forward sales deposits received when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(s)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 1(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 1(j)(i)).

1 MATERIAL ACCOUNTING POLICIES (Continued)

(p) Employee benefits

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

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

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

(ii) Defined benefit plan obligations

The Group has the following two categories of defined benefit plans:

– defined benefit retirement plans registered under the Hong Kong Occupational Retirement Schemes Ordinance (the "ORSO plans");

– LSP under the Hong Kong Employment Ordinance.

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

The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method. For ORSO plans, when the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in ORSO plans (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

1 MATERIAL ACCOUNTING POLICIES (Continued)

(q) Income tax

Income tax expense comprises current tax and deferred tax assets. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

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

1 MATERIAL ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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

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

(r) Provisions and contingent liabilities

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

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 1(j)(iii)).

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue recognition

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

Except for the sale of healthcare service, the Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

1 MATERIAL ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

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

(i) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(ii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Ferry and shipyard operations

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

Revenue from shipyard operations is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(iv) Healthcare, medical aesthetic and beauty services

Revenue from medical aesthetic and beauty services is recognised when the relevant services are provided.

Revenue from healthcare agency services is recognised when the obligation to arrange for the provision of the specified service is fulfilled.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. Effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

1 MATERIAL ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(vi) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Other practical expedients applied

In addition, the Group has applied the following practical expedients:

- For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of HKFRS 15.

- The Group has recognised the incremental costs of obtaining contracts relating to the sale of properties and services as an expense when incurred in accordance with paragraph 94 of HKFRS 15, as the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

(t) Translation of foreign currencies

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

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

The assets and liabilities of foreign operations are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

1 MATERIAL ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies (Continued)

When a foreign operation is disposed of in its entirely or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

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

(B) has significant influence over the Group; or

(C) is a member of the key management personnel of the Group.

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

(A) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

(C) Both entities are joint ventures of the same third party.

(D) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(F) The entity is controlled or jointly controlled by a person identified in note (u)(i).

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

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

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

1 MATERIAL ACCOUNTING POLICIES (Continued)

(v) Segment reporting

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

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 16(b), 16(c) and 24 contain information about the assumptions and their risk factors relating to ORSO plan assets, LSP liabilities and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by a firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to the appropriate capitalisation rate and occupancy rate.

(b) Recognition of deferred tax assets

At 31 December 2023, the Group had recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK$12,564,000 (2022: HK$31,521,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

3 SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

– Property development: development and sale of properties.

– Property investment: rental income from leasing of properties.

– Ferry, shipyard and related operations: income from operation of dangerous goods vehicular ferry service and ship repairs and maintenance services and sales of goods on cruise vessels.

– Healthcare, medical aesthetic and beauty services: income from provision of healthcare, medical aesthetic and beauty services.

– Securities investment: dividend, interest and other income from listed securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as substantially all of the Group's revenue and profit from operations were derived from activities in Hong Kong.

Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

The segment information for the years ended 31 December 2023 and 2022 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**–**	27,634	**–**	–	**–**	27,634
Property investment	**170,149**	160,034	**–**	–	**170,149**	160,034
Ferry, shipyard and related operations	**166,040**	123,434	**1,417**	1,195	**164,623**	122,239
Healthcare, medical aesthetic and beauty services	**14,078**	1,416	**295**	1	**13,783**	1,415
Securities investment	**6,548**	6,596	**–**	–	**6,548**	6,596
Others	**114,038**	142,322	**10,813**	29,126	**103,225**	113,196
	470,853	461,436	**12,525**	30,322	**458,328**	431,114
Analysed by:						
Revenue					**374,605**	280,632
Other revenue					**83,723**	150,482
					458,328	431,114

The principal activities of the Group are property development, property investment, ferry, shipyard and related operations, healthcare, medical aesthetic and beauty services and securities investment.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(a) Segment revenue (Continued)

Disaggregation in revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	**–**	27,600
– Revenue from ferry operations	**88,564**	48,203
– Revenue from shipyard operations	**55,226**	52,433
– Revenue from healthcare, medical aesthetic and beauty services	**13,772**	1,247
	157,562	129,483
Revenue from other sources		
– Property investment	**121,696**	113,385
– Securities investment	**6,548**	6,596
– Others	**88,799**	31,168
	217,043	151,149
	374,605	280,632

Apart from revenue from shipyard operations which is recognised over time, the Group's other revenue streams within the scope of HKFRS 15 are recognised at a point in time.

Revenue represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

At 31 December 2023, the aggregate amount of revenue expected to be recognised in profit or loss in the future from construction and repairing contracts entered into in relation to the Group's shipyard operations amounted to HK$12,764,000 (2022: HK$17,515,000), which will be recognised over time until the work is completed, which is expected to occur over the next 12 months.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(b) Segment result

	Reportable segment profit/(loss) 2023 HK$'000	2022 HK$'000
Property development	**(715)**	16,482
Property investment *(note 3(d))*	**123,694**	98,928
Ferry, shipyard and related operations	**(7,643)**	(5,414)
Healthcare, medical aesthetic and beauty services	**(37,842)**	(18,119)
Securities investment	**(2,254)**	(16,917)
	75,240	74,960
Others *(note 3(e))*	**99,085**	101,385
	174,325	176,345

(c) Reconciliation of reportable segment profit

	2023 HK$'000	2022 HK$'000
Reportable segment profit derived from external customers	**75,240**	74,960
Other profit derived from external customers	**99,085**	101,385
Interest on lease liabilities	**(265)**	(249)
Share of profits of associates and joint ventures *(net)*	**32,576**	1,179,821
Profit before taxation in the consolidated statement of profit or loss	**206,636**	1,355,917

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK$42,339,000 (2022: HK$20,365,000).

(e) "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**1,007**	1,175	**–**	–	**–**	–
Property investment	**–**	–	**98**	–	**105,307**	70,135
Ferry, shipyard and related operations	**8,204**	8,599	**–**	–	**1,107**	2,601
Healthcare, medical aesthetic and beauty services	**9,786**	5,585	**–**	–	**667**	20,890
Others	**612**	518	**–**	–	**1,870**	852
	19,609	15,877	**98**	–	**108,951**	94,478

4 OTHER REVENUE AND NET LOSS

	2023	2022
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**28,282**	27,161
Other income	**21,224**	15,985
Air-conditioning charges income	**18,510**	17,694
Other interest income	**10,296**	79,400
Government grants *(note 1)*	**–**	4,361
Government grants – others *(note 2)*	**5,411**	5,881
	83,723	150,482
Other net loss		
Construction cost adjustment *(note 3)*	**5,239**	–
Income from sale of spare parts	**887**	2,667
Sundry income	**840**	828
Gain on lease modifications	**494**	–
Impairment loss on trade and other receivables reversed	**58**	–
Net gain/(loss) on disposal of other property, plant and equipment	**2**	(2)
Net exchange (losses)/gains	**(22)**	7
Change in fair value of other financial assets designated at FVPL	**(8,400)**	(23,057)
	(902)	(19,557)

4 OTHER REVENUE AND NET LOSS (Continued)

Note 1: In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

Note 2: In 2023 and 2022, the Group was qualified for the relief measures offered for the public transport sector, food and environment sector and other sectors under the Anti-epidemic Fund set up by the Government amounting to HK$5,300,000, HK$ Nil and HK$111,000 (2022: HK$2,592,000, HK$3,150,000 and HK$139,000) respectively. The purpose of the funding is to provide financial support to franchised and licensed ferry and shipyard operators, licensed food and entertainment service providers, and eligible applicants under other sectors who were adversely impacted by the COVID-19 pandemic.

Note 3: During the year ended 31 December 2023, construction cost adjustment represents the revision of the original construction costs of the properties completed in prior years, confirmed by the surveyors.

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

	2023	2022
	HK$'000	*HK$'000*
Expense recognised in respect of defined benefit retirement plans:		
– ORSO plans *(note 16(b)(v))*	**563**	682
– Long service payments *(note 16(c))*	**1,152**	–
Contributions to defined contribution retirement plan	**3,574**	3,010
Total retirement costs	**5,289**	3,692
Salaries, wages and other benefits	**124,259**	94,965
	129,548	98,657

5 PROFIT BEFORE TAXATION (Continued)

(b) Other items:

	2023 **HK$'000**	2022 HK$'000
Amortisation of leasehold land premium	**1,369**	1,369
Depreciation	**18,240**	14,508
Cost of inventories *(note 17(b))*	**10,136**	8,511
Auditor's remuneration		
– audit services	**1,986**	1,868
– other services	**366**	366
Impairment losses on trade and other receivables	**98**	–
Rentals receivable from investment properties less direct outgoings of HK$62,264,000 (2022: HK$62,080,000) *(note)*	**(59,431)**	(51,305)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK$706,000 (2022: HK$1,232,000)	**(7,029)**	(5,689)
Interest income	**(99,096)**	(110,569)
Dividend income from other financial assets designated at FVPL	**(3,348)**	(3,328)
Dividend income from other financial assets designated at FVOCI	**(3,200)**	(3,268)

Note: Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK$2,479,000 (2022: HK$2,449,000).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 **HK$'000**	2022 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**12,361**	29,726
Provision for the claims *(note)*	**119**	28,782
Under/(over)-provision in respect of prior years	**626**	(75)
	13,106	58,433
Deferred tax		
Origination and reversal of temporary differences	**7,664**	(1,652)
	20,770	56,781

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

The provision for Hong Kong Profits Tax for 2023 takes into account a reduction granted by the Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HK$6,000 for each business (2022: a maximum reduction of HK$10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

Note: In prior years, the Inland Revenue Department ("IRD") raised additional profits tax assessments on a subsidiary of the Group covering the years of assessment from 2001/02 to 2009/10 as the IRD disallowed the deduction of certain capital expenditure incurred by the subsidiary (the "claims"). Notices of objection were filed with the IRD by the subsidiary. In February 2017 and March 2022, the IRD further raised additional profits tax assessments covering the years of assessment from 2010/11 to 2014/15 and 2015/16 in respect of such disallowance. Management has sought advice from the Group's tax adviser and has filed a notice of objection against such additional tax assessments. In August 2022, IRD issued a determination regarding previous objections and continued to disallow the claims. In September 2022, the subsidiary filed a notice of appeal to the Board of Review and the hearing of the appeal is rescheduled to July 2024. During the year ended 31 December 2023, the Group made an additional provision of HK$119,000 for the claims.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2023 **HK$'000**	2022 HK$'000
Profit before taxation	**206,636**	1,355,917
Notional tax on profit before taxation, calculated at the rates applicable to profit in tax jurisdictions concerned	**33,928**	223,564
Tax effect of non-deductible expenses	**2,890**	4,903
Tax effect of non-taxable income	**(28,042)**	(205,026)
Tax effect of current year's tax losses not recognised	**9,851**	6,223
Tax effect of prior years' unrecognised tax losses utilised this year	**(1,481)**	(1)
Tax effect of temporary differences on investment properties and other property, plant and equipment	**2,998**	(2,847)
Under-provision in respect of prior years	**626**	29,965
Actual tax expense	**20,770**	56,781

7 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and Appendix D2 to the Listing Rules are as follows:

	Directors' fees		Retirement schemes contribution	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors				
Dr. Lam Ko Yin, Colin	**200**	200	**–**	–
Mr. Li Ning	**150**	150	**–**	–
Mr. Lee Gabriel (appointed on 3 January 2023)	**149**	–	**–**	–
Non-executive directors				
Mr. Au Siu Kee, Alexander	**100**	100	**–**	–
Mr. Lau Yum Chuen, Eddie	**100**	100	**–**	–
Independent non-executive directors				
Mr. Ho Hau Chong, Norman	**300**	300	**–**	–
Ms. Wong Yu Pok, Marina	**300**	300	**–**	–
Mr. Wu King Cheong	**300**	300	**–**	–
Mr. Chan Wai Yan, Ronald (appointed on 20 March 2023)	**197**	–	**–**	–
	1,796	1,450	**–**	–

	Salaries and other emoluments		Retirement schemes contributions	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Group General Manager				
Mr. Lee Gabriel	**5,096**	5,006	**254**	250

8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2022: one) is the chief executive whose emoluments is disclosed in note 7. The aggregate of the emoluments in respect of the remaining four (2022: four) individuals are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and other emoluments	**5,060**	5,655
Retirement scheme contributions	**163**	206
	5,223	5,861

The emoluments of the four (2022: four) individuals with the highest emoluments are within the following bands:

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

(b) Emoluments of senior management

Other than the emoluments of directors, chief executive and five highest paid individuals disclosed in notes 7 and 8(a), the emoluments of the remaining senior management whose profiles are provided in Directors' and Senior Management's Profile fell within the following band:

HK$	**2023** ***Number of individuals***	2022 *Number of individuals*
500,000 or below	**1**	–
500,001–1,000,000	**1**	1

9 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2023 HK$'000	2022 HK$'000
Interim dividend declared and paid of HK10 cents (2022: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK15 cents (2022: HK15 cents) per ordinary share	53,441	53,441
Special dividend proposed after the end of the reporting period of HK$ Nil (2022: HK$1.00) per ordinary share	–	356,274
	89,068	445,342

The final and special dividends proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 HK$'000	2022 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15 cents (2022: HK15 cents) per ordinary share	53,441	53,441
Special dividend in respect of the previous financial year, approved and paid during the year, of HK$1.00 (2022: HK$ Nil) per ordinary share	356,274	–
	409,715	53,441

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$190,393,000 (2022: HK$1,299,136,000) and 356,273,883 (2022: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2023 and 2022, therefore diluted earnings per share are the same as basic earnings per share for both years.

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND

	Buildings *HK$'000*	Ferry vessels and other crafts *HK$'000*	Machinery, furniture and others *HK$'000*	Sub-total *HK$'000*	Investment properties *HK$'000*	Interest in leasehold land *HK$'000*	Total *HK$'000*
Cost or valuation:							
At 1 January 2022	81,291	120,153	290,476	491,920	2,258,005	159,407	2,909,332
Additions	33,486	245	9,709	43,440	70,135	–	113,575
Disposals	(1,244)	–	(14)	(1,258)	(6,200)	–	(7,458)
Valuation gains	–	–	–	–	20,365	–	20,365
At 31 December 2022	113,533	120,398	300,171	534,102	2,342,305	159,407	3,035,814
Representing:							
Cost	113,533	120,398	300,171	534,102	–	159,407	693,509
Valuation	–	–	–	–	2,342,305	–	2,342,305
	113,533	120,398	300,171	534,102	2,342,305	159,407	3,035,814
Accumulated amortisation and depreciation:							
At 1 January 2022	68,267	118,747	252,912	439,926	–	124,483	564,409
Charge for the year	8,406	324	5,778	14,508	–	1,369	15,877
Written back on disposals	–	–	(12)	(12)	–	–	(12)
At 31 December 2022	76,673	119,071	258,678	454,422	–	125,852	580,274
Net book value:							
At 31 December 2022	36,860	1,327	41,493	79,680	2,342,305	33,555	2,455,540

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND (Continued)

	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2023	113,533	120,398	300,171	534,102	2,342,305	159,407	3,035,814
Additions	752	212	3,412	4,376	105,307	–	109,683
Disposals	(3,059)	–	(5)	(3,064)	–	–	(3,064)
Cost adjustment *(note)*	–	–	–	–	(1,261)	–	(1,261)
Valuation gains	–	–	–	–	42,339	–	42,339
At 31 December 2023	111,226	120,610	303,578	535,414	2,488,690	159,407	3,183,511
Representing:							
Cost	111,226	120,610	303,578	535,414	–	159,407	694,821
Valuation	–	–	–	–	2,488,690	–	2,488,690
	111,226	120,610	303,578	535,414	2,488,690	159,407	3,183,511
Accumulated amortisation and depreciation:							
At 1 January 2023	76,673	119,071	258,678	454,422	–	125,852	580,274
Charge for the year	11,386	267	6,587	18,240	–	1,369	19,609
Written back on disposals	(2,890)	–	(5)	(2,895)	–	–	(2,895)
At 31 December 2023	85,169	119,338	265,260	469,767	–	127,221	596,988
Net book value:							
At 31 December 2023	26,057	1,272	38,318	65,647	2,488,690	32,186	2,586,523

Note: Cost adjustment represented the revision of the original construction costs of the properties completed in prior years, confirmed by the surveyor during the year ended 31 December 2023.

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2023 categorised into		
	Fair value at 31 December 2023	**Level 1**	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement				
Investment properties	**2,488,690**	**–**	**–**	**2,488,690**

		Fair value measurements as at 31 December 2022 categorised into		
	Fair value at 31 December 2022	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Investment properties	2,342,305	–	–	2,342,305

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND (Continued)

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

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation process

All the Group's investment properties were revalued as at 31 December 2023. The valuations were carried out by a firm of surveyors, Cushman & Wakefield Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

The fair values of investment properties were determined using income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of properties after expiry of the current leases except for an investment property which was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Below is a table which presents the significant unobservable inputs:

Income capitalisation approach

	Range of capitalisation rates		Range of occupancy rates	
	2023	2022	**2023**	2022
	%	%	**%**	%
Retail	**2.75% – 4 .75%**	2.75% – 4.75%	**89% – 100%**	62% – 100%
Car park	**4.125% – 6.5%**	4.125% – 6.5%	**61% – 100%**	74% – 100%

Market comparison approach

	Market unit sales price		Adopted market rate	
	2023	2022	**2023**	2022
	HK$/sq. ft.	*HK$/sq. ft.*	***HK$/sq. ft.***	*HK$/sq. ft.*
Godown	**652 – 839**	652 – 839	**700**	700

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND (Continued)

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

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

The fair value measurement of investment properties is positively correlated to the occupancy rate and market unit sales price and negatively correlated to the capitalisation rate.

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

	2023	2022
	HK$'000	*HK$'000*
Investment properties		
At 1 January	**2,342,305**	2,258,005
Additions	**105,307**	70,135
Disposals	**–**	(6,200)
Cost adjustment	**(1,261)**	–
Valuation gains	**42,339**	20,365
At 31 December	**2,488,690**	2,342,305

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

All the gains or losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Short-term leases	**–**	1,175
Medium-term leases	**2,386,533**	2,353,345
Long-term leases	**160,400**	58,200
	2,546,933	2,412,720

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND (Continued)

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

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

	2023 ***HK$'000***	2022 *HK$'000*
Within 1 year	**69,055**	81,029
After 1 year but within 2 years	**32,911**	40,729
After 2 years but within 3 years	**7,555**	15,935
	109,521	137,693

(d) Right-of-use assets

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

	Note	**2023** ***HK$'000***	2022 *HK$'000*
Other properties leased for own use, carried at depreciated cost	*(i)*	**8,418**	15,605
Machinery, furniture and others, carried at depreciated cost	*(ii)*	**34**	187
		8,452	15,792

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTEREST IN LEASEHOLD LAND (Continued)

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

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**7,762**	5,982
Machinery, furniture and others	**159**	153
	7,921	6,135
Interest on lease liabilities	**265**	249
COVID-19-related rent concessions received	**–**	(629)

During the year, additions to right-of-use assets were HK$732,000 (2022: HK$19,096,000). The amount primarily related to the capitalised lease payments payable under new tenancy agreements.

The Group applied the practical expedient in paragraph 46A of HKFRS 16 to all eligible rent concessions received by the Group in 2022.

Note (i): Other properties leased for own use
The Group has obtained the right to use other properties as its office space and ferry piers through tenancy agreements. The leases typically run for an initial period of two to three years.

Note (ii): Other leases
The Group leases office equipment under leases expiring for four years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

	Particulars of issued and paid up capital	Proportion of ownership interests		Principal activities
		Held by the Company	**Held by subsidiaries**	
HYFCO Development Company, Limited	1,200,003 shares	100%	–	Investment holding
The Hong Kong Shipyard Limited	170,000 shares	100%	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2 shares	100%	–	Trading
HYFCO Estate Management & Agency Limited	2,500,000 shares	100%	–	Property management
The Hongkong and Yaumati Ferry Company Limited	1,000,000 shares	100%	–	Ferry operations
Galaxy Hotel Management Company Limited	1,000,000 shares	–	100%	Floating restaurant business
Genius Star Development Limited	2 shares	100%	–	Property investment
Pico International Limited	6,000,000 shares	100%	–	Investment holding
Hong Kong Ferry Finance Company Limited	2 shares	100%	–	Funding for group companies
Thommen Limited	2 shares	100%	–	Investment holding
Lenfield Limited	2 shares	100%	–	Property development, investment and financing
HKF Property Investment Limited	2 shares	100%	–	Property investment
Join Galaxy Limited	2 shares	–	100%	Property financing
Jet Legend Limited	1 share	100%	–	Property development and financing
World Light Limited	1 share	100%	–	Property development, investment and financing
Well Dynamic Limited	1 share	100%	–	Property development, investment and financing
World Fame Shipping Limited	2 shares	100%	–	Property development
Century Time Holdings Limited	10,000 shares	85%	–	Medical aesthetic and beauty services
Galaxy Harbour Limited	1 share	100%	–	Healthcare services

All the subsidiaries listed above are incorporated in Hong Kong.

13 INTEREST IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Share of net assets	845	793
Amounts due from associates	12,654	13,437
Share of net liabilities	(335)	(279)
	12,319	13,158
Less: impairment loss	(6,794)	(6,794)
	6,370	7,157

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% for first half of year 2023 (2022: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 27(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are not expected to be recovered within one year.

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

	Particulars of issued and paid up capital	Proportion of ownership interest held by subsidiaries	Principal activities
2OK	10 ordinary shares	50%	Property financing
Authian Estates Limited	5,000 A shares 5,000 B shares	50%	Property investment
Winwide Limited	100 ordinary shares	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

13 INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2023 HK$'000	2022 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	510	514
Aggregate amounts of the Group's share of those associates'		
Profit for the year	746	1,119
Total comprehensive income	746	1,119

14 INTEREST IN JOINT VENTURES

	2023 HK$'000	2022 HK$'000
Share of net assets	498,008	466,782
Share of net liabilities	(123)	(227)
Advances to a joint venture	202,500	480,000
	700,385	946,555

The advances to a joint venture is unsecured, interest-bearing at Hong Kong dollar prime rate minus 3% per annum and has no fixed terms of repayment. The balance is not expected to be recovered within one year.

Details of the Group's interest in material joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued capital	Proportion of ownership interest held by subsidiaries	Principal activities
Win Standard Enterprises Limited	Incorporated	Hong Kong	10,000 ordinary shares	50%	Property development and financing
Mega Capital Enterprises Limited	Incorporated	Hong Kong	2 ordinary shares	50%	Property financing

The joint ventures are unlisted corporate entities whose quoted market price are not available.

14 INTEREST IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Gross amounts of the joint venture's	Win Standard Enterprises Limited 2023 HK$'000	2022 HK$'000
Current assets	1,976,453	2,265,078
Non-current assets	–	–
Current liabilities	(995,144)	(1,344,123)
Non-current liabilities	–	–
Total equity	981,309	920,955
Included in the above assets and liabilities:		
Cash and cash equivalents	1,303,666	1,270,346
Current financial liabilities (excluding trade and other payables and provisions)	–	(52,808)
Contract liabilities	(5,020)	(9,926)
Non-current financial liabilities	–	–
Revenue	61,153	8,591,139
Profit for the year	60,354	2,351,466
Other comprehensive income	–	–
Total comprehensive income	60,354	2,351,466
Included in the above profit:		
Interest income	48,797	6,383
Interest expenses	–	(138,453)
Taxation	(2,091)	(442,773)

No depreciation and amortisation is included in the above profit.

	Win Standard Enterprises Limited 2023 HK$'000	2022 HK$'000
Reconciled to Group's interest in the joint venture		
Gross amounts of the joint venture's net assets	981,309	920,955
Group's effective interest	50%	50%
Group's share of the joint venture's net assets	490,655	460,478

14 INTEREST IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that is not individually material:

	2023 HK$'000	2022 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	7,231	6,077
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	1,653	2,969
Total comprehensive income	1,653	2,969

15 OTHER FINANCIAL ASSETS

	2023 HK$'000	2022 HK$'000
Financial assets designated at FVOCI (non-recycling) *(note)*		
– Equity securities listed in Hong Kong	42,696	39,936
Financial assets designated at FVPL		
– Unit trust listed in Hong Kong	64,493	72,893
	107,189	112,829
Market value of listed securities at 31 December	107,189	112,829

Note: The Group has designated certain investments as equity securities designated as financial assets at FVOCI (non-recycling) as the investments are held for strategic purposes which are subject to regular strategic review. Details of the investments are as follows:

Name of equity securities	2023 HK$'000	2022 HK$'000
Bank of China Ltd	30,656	29,216
Agricultural Bank of China Limited	12,040	10,720
As at 31 December	42,696	39,936

16 POST-EMPLOYMENT BENEFITS

The Group operates a MPF scheme for the employees and a retirement plan registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) for the employees in Hong Kong. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to LSP if the eligibility criteria are met.

The ORSO plans and LSP are defined benefit plans. The analysis of the carrying amount of defined benefit plan obligations is as follows:

	2023 ***HK$'000***	2022 *HK$'000*
ORSO plan assets *(note 16(b))*	**2,100**	212
Long service payment liabilities *(note 16(c))*	**(1,152)**	–
As at 31 December	**948**	212

(a) MPF scheme

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the Group's ORSO plans. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

(b) ORSO plan assets

The ORSO plans of the Group are administered by trustees, who are independent, with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2023 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that 100% (2022: 100%) of the Group's obligations under the defined benefit plan are covered by the plan assets held by the trustees.

16 POST-EMPLOYMENT BENEFITS (Continued)

(b) ORSO plan assets (Continued)

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the plan is disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2023	2022
	HK$'000	*HK$'000*
Present value of wholly or partly funded obligations	**(17,325)**	(16,862)
Fair value of plan assets	**19,425**	17,074
	2,100	212

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$138,000 in contributions to defined benefit plan in 2024.

(ii) Plan assets consist of the following:

	2023	2022
Equity securities	**51.9%**	72.2%
Fixed deposits	**48.1%**	27.8%
Total	**100.0%**	100.0%

All of the equity securities have quoted prices in active markets.

16 POST-EMPLOYMENT BENEFITS (Continued)

(b) ORSO plan assets (Continued)

(iii) Movements in the present value of the defined benefit obligations:

	2023 HK$'000	2022 HK$'000
At 1 January	**16,862**	18,998
Remeasurements:		
– Actuarial loss/(gain) arising from changes in financial assumptions	**1,090**	(2,516)
– Actuarial loss arising from changes in experience	**834**	731
– Actuarial (gain)/loss arising from changes in demographic assumptions	**(2)**	2
	1,922	(1,783)
Current service cost	**516**	591
Interest cost	**605**	265
Benefits paid by the plan	**(2,580)**	(1,209)
At 31 December	**17,325**	16,862

(iv) Movements in plan assets:

	2023 HK$'000	2022 HK$'000
At 1 January	**17,074**	16,278
Interest income	**618**	229
Return (less)/more than discount rate	**(979)**	1,579
Benefits paid by the plan	**(2,580)**	(1,209)
Administrative expenses paid	**(60)**	(55)
Contributions paid to the plan	**5,352**	252
At 31 December	**19,425**	17,074

16 POST-EMPLOYMENT BENEFITS (Continued)

(b) ORSO plan assets (Continued)

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2023 HK$'000	2022 HK$'000
Current service cost	516	591
Net interest on net defined benefit (assets)/liabilities	(13)	36
Administrative expenses paid	60	55
Total amounts recognised in profit or loss	563	682
Actuarial loss/(gain)	1,922	(1,783)
Expense/(return) on plan assets, excluding interest income	979	(1,579)
Total amounts recognised in other comprehensive income	2,901	(3,362)
Total defined benefit costs/(gain)	3,464	(2,680)

The current service cost, the net interest on defined benefit liabilities and the administrative expenses paid are recognised in the following item in the consolidated statement of profit or loss:

	2023 HK$'000	2022 HK$'000
Administrative expenses	563	682

16 POST-EMPLOYMENT BENEFITS (Continued)

(b) ORSO plan assets (Continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2023	2022
Discount rate	**2.9%**	3.6%
Long-term salary increase rate	**4%**	3.5%

The below analysis shows how the defined benefit obligations would have (increased)/decreased as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25%		**Decrease in 0.25%**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Discount rate	**242**	252	**(248)**	(258)
Future salary	**(235)**	(246)	**231**	242

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(c) Long service payment liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to LSPs in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme (see note 16(a)) or ORSO plans (see note 16(b)), with an overall cap of HK$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

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

16 POST-EMPLOYMENT BENEFITS (Continued)

(c) Long service payment liabilities (Continued)

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

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

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP liability with respect to Hong Kong employees that do not participate in the Group's ORSO plans. The Amendment Ordinance has no material impact on the Group's LSP liability with respect to employees that participate in the Group's ORSO plans.

The present value of unfunded obligations and its movements are as follows:

	2023 *HK$'000*
At 1 January	–
Expenses recognised in profit or loss:	
Current service cost	1,152
Past service cost	–
Interest cost	–
At 31 December	1,152

The weighted average duration of the defined benefit obligation is 6 years .

16 POST-EMPLOYMENT BENEFITS (Continued)

(c) Long service payment liabilities (Continued)

The above expenses are recognised in the following line items in the consolidated statement of profit or loss:

	2023 *HK$'000*
Direct costs	237
Administrative expenses	915
	1,152

Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2023
Discount rate	2.9%
Future salary increases	4%
Expected investment return MPF accrued benefits	4.5%

The below analysis shows how the defined benefit obligations would have (increased)/decreased as a result of 0.25% change in the significant actuarial assumptions:

	2023	
	Increase in 0.25% *HK$'000*	Decrease in 0.25% *HK$'000*
Discount rate	(17)	17
Future salary	(6)	5

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

17 INVENTORIES

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

	2023 HK$'000	2022 HK$'000
Property development		
Properties under development for sale	6,933	1,625,071
Completed properties held for sale	1,788,719	61,314
	1,795,652	1,686,385
Other operations		
Trading stocks	4,166	2,934
Spare parts and consumables	2,322	1,913
	6,488	4,847
	1,802,140	1,691,232

The above properties are situated in Hong Kong and held under medium-term leases.

All of the inventories are expected to be recovered within one year.

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

	2023 HK$'000	2022 HK$'000
Carrying amount of inventories sold	10,136	8,511

18 TRADE AND OTHER RECEIVABLES

(a) Non-current

	2023 HK$'000	2022 HK$'000
Instalment receivables	88,489	96,374
Other receivables and prepayments	2,481	2,481
	90,970	98,855

Instalment receivables represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included under non-current assets is not past due. Instalment receivables due within one year from the end of the reporting period are included in "Trade and other receivables" under current assets.

(b) Current

	2023 HK$'000	2022 HK$'000
Trade receivables	57,840	53,880
Instalment receivables	2,480	2,613
Less: loss allowance	(2,651)	(2,709)
	57,669	53,784
Other receivables and prepayments	77,426	73,119
Amounts due from joint ventures	29,035	115,512
	164,130	242,415

All of the trade and other receivables are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK$55,874,000 (2022: HK$54,336,000) which are unsecured, interest-free and are recoverable on demand. Related companies are companies under control of a company which has significant influence on the Group.

The balance as at 31 December 2023 is unsecured, interest-free and is recoverable on demand.

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Current (Continued)

(i) Ageing analysis

Included in trade and other receivables are trade debtors (net of loss allowance) with the following ageing analysis based on due date at the end of the reporting period:

	2023	2022
	HK$'000	*HK$'000*
Current	**30,397**	27,633
1 to 3 months overdue	**26,082**	24,198
More than 3 months but less than 12 months overdue	**1,173**	1,845
More than 12 months overdue	**17**	108
	57,669	53,784

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 24(a).

(ii) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which include a specific element based on individual receivables and a collective element calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The movement in the loss allowance accounts during the year is as follows:

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**2,709**	2,709
Impairment losses recognised	**98**	–
Impairment loss reversed	**(58)**	–
Uncollectible amount written off	**(98)**	–
At 31 December	**2,651**	2,709

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Current (Continued)

(ii) Impairment of trade debtors (Continued)

The Group has recognised an ECL on trade debtors amounting to HK$2,651,000 (2022: HK$2,709,000) as at 31 December 2023, calculated on 100% of certain individual trade debtors with significantly increased in credit risk. The identified impairment loss on the remaining trade debtors was immaterial as at 31 December 2023 and 31 December 2022.

19 CASH AND BANK BALANCES

(a)

	2023	2022
	HK$'000	*HK$'000*
Deposits with banks and other financial institutions	**1,724,378**	1,821,111
Cash at bank and in hand	**101,056**	151,615
Cash and bank balances in the consolidated statement of financial position	**1,825,434**	1,972,726
Less: Bank overdrafts	**–**	(701)
Less: Bank deposits with maturity over three months at acquisition	**(1,724,378)**	(1,821,111)
Cash and cash equivalents in the consolidated cash flow statement	**101,056**	150,914

Included in cash and bank balances are the following amounts denominated in a currency other than Hong Kong dollars:

	2023	2022
	'000	*'000*
United States dollars	**13**	13
Renminbi	**47**	45

19 CASH AND BANK BALANCES (Continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities	
	2023	2022
	HK$'000	*HK$'000*
	(Note 21)	
At 1 January	**17,624**	4,174
Changes from financing cash flows:		
Capital element of lease rentals paid	**(7,948)**	(4,402)
Interest element of lease rentals paid	**(265)**	(249)
Total changes from financing cash flows	**(8,213)**	(4,651)
Other changes:		
Increase in lease liabilities from entering into new leases and lease modifications during the year *(net)*	**582**	17,852
Interest expenses	**265**	249
Gain on lease modification and disposal	**(496)**	–
Total other changes	**351**	18,101
At 31 December	**9,762**	17,624

19 CASH AND BANK BALANCES (Continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023	2022
	HK$'000	*HK$'000*
Within operating cash flows	**–**	–
Within financing cash flows	**8,213**	4,651
	8,213	4,651

This amount relate to the following:

	2023	2022
	HK$'000	*HK$'000*
Lease rentals paid	**8,213**	4,651

20 TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK$18,995,000 (2022: HK$16,172,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK$19,938,000 (2022: HK$40,270,000) which are unsecured, interest-free and repayable within 30–45 days or repayable on demand. Related companies are companies under control of a company/person which has significant influence on the Group.

Included in trade and other payables are trade payables with the following ageing analysis based on due date at the end of the reporting period:

	2023	2022
	HK$'000	*HK$'000*
Due within 1 month or on demand	**131,004**	115,129
Due after 1 month but within 3 months	**1,265**	766
Due after 3 months but within 12 months	**–**	–
More than 12 months	**2**	2
	132,271	115,897

21 LEASE LIABILITIES

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

	2023 HK$'000	2022 HK$'000
Within 1 year	**6,883**	8,400
After 1 year but within 2 years	**2,879**	6,440
After 2 years but within 5 years	**–**	2,784
	2,879	9,224
	9,762	17,624

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2023 HK$'000	2022 HK$'000
Provision for Hong Kong Profits Tax for the year	**12,361**	29,726
Provisional Profits Tax paid	**(10,243)**	(12,467)
	2,118	17,259
Balance of Hong Kong Profits Tax payable relating to prior years	**17,233**	19,904
	19,351	37,163

Represented by:

	2023 HK$'000	2022 HK$'000
Tax payable	**19,868**	37,905
Tax recoverable	**(517)**	(742)
	19,351	37,163

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Temporary differences from investment properties and other property, plant and equipment *HK$'000*	Future benefit of tax losses *HK$'000*	Intra-group interest capitalised in properties under development *HK$'000*	Total *HK$'000*
At 1 January 2022	75,570	(1,374)	(2,695)	71,501
Charged/(credited) to profit or loss *(note 6(a))*	2,175	(3,827)	–	(1,652)
At 31 December 2022 and 1 January 2023	**77,745**	**(5,201)**	**(2,695)**	**69,849**
Charged to profit or loss *(note 6(a))*	**4,488**	**3,128**	**48**	**7,664**
At 31 December 2023	**82,233**	**(2,073)**	**(2,647)**	**77,513**

Represented by:

	2023 ***HK$'000***	2022 *HK$'000*
Net deferred tax asset recognised in the consolidated statement of financial position	**(3,513)**	(6,358)
Net deferred tax liability recognised in the consolidated statement of financial position	**81,026**	76,207
	77,513	69,849

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2023		2022	
	Deductible temporary differences/ tax losses	**Deferred tax assets**	Deductible temporary differences/ tax losses	Deferred tax assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(i) Excess of tax written down values over accounting carrying values of other property, plant and equipment	**39**	**6**	44	7
(ii) Tax losses	**301,648**	**49,772**	236,127	37,925
	301,687	**49,778**	236,171	37,932

23 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	**Share capital** *HK$'000* *(Note 23(b))*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2022		1,754,801	462,861	2,217,662
Changes in equity for 2022:				
Profit for the year		–	2,467,304	2,467,304
Other comprehensive income		–	3,362	3,362
Total comprehensive income		–	2,470,666	2,470,666
Dividends approved in respect of the previous year	9	–	(53,441)	(53,441)
Dividends declared in respect of the current year	9	–	(35,627)	(35,627)
Balance at 31 December 2022 and 1 January 2023		**1,754,801**	**2,844,459**	**4,599,260**
Changes in equity for 2023:				
Loss for the year		**–**	**(34,181)**	**(34,181)**
Other comprehensive income		**–**	**(2,901)**	**(2,901)**
Total comprehensive income		**–**	**(37,082)**	**(37,082)**
Dividends approved in respect of the previous year	9	**–**	**(409,715)**	**(409,715)**
Dividends declared in respect of the current year	9	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2023		**1,754,801**	**2,362,035**	**4,116,836**

23 CAPITAL AND RESERVES (Continued)

(b) Share capital

	2023		2022	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Ordinary shares, issued and fully paid:				
At 1 January/31 December	**356,273,883**	**1,754,801**	356,273,883	1,754,801

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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

(c) Nature and purpose of reserves

(i) Securities revaluation reserve (non-recycling)

The securities revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(f)).

(ii) Other capital reserves

The other capital reserves comprise the following:

- the unrealised profit on inter-company interest capitalised under investment properties; and
- the gain on sale of additional shares of a subsidiary to NCI.

23 CAPITAL AND RESERVES (Continued)

(d) Distributability of reserves

At 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$2,326,107,000 (2022: HK$2,808,485,000). After the end of the reporting period, the directors proposed a final dividend of HK15 cents (2022: final and special dividends of HK15 cents and HK$1.00 respectively) per ordinary share, amounting to HK$53,441,000 (2022: HK$53,441,000 and HK$356,274,000 respectively) (note 9). These dividends have not been recognised as a liability at the end of the reporting period.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and equity price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of other trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial positions. Except for the financial guarantees given by the Group as set out in note 26, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade and other payables	**193,828**	**10,007**	**8,988**	**–**	**212,823**	**212,823**
Lease liabilities	**7,000**	**2,888**	**–**	**–**	**9,888**	**9,762**

	2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	167,755	10,272	5,900	–	183,927	183,927
Lease liabilities	8,631	6,554	2,792	–	17,977	17,624
Bank overdraft	701	–	–	–	701	701

(c) Currency risk

The Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow are primarily denominated in Hong Kong dollars.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Equity price risk

The Group is exposed to equity price change arising from other financial assets designated through FVOCI and FVPL held for non-trading purposes (see note 15).

Listed investments held by the Group have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

At 31 December 2023, it is estimated that an increase/decrease of 10% (2022: 10%) in the market prices of equity investments in other financial assets, with all other variables held constant would have increased/decreased the Group's profit after tax (and retained profits) and the securities revaluation reserve by approximately HK$10,719,000 (2022: HK$11,283,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that none of the Group's other financial assets would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The fair value of the Group's financial assets measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*.

The fair value measurements of the Group's financial assets as at 31 December 2023 and 31 December 2022 are categorised into Level 1. During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial assets and liabilities carried at other than fair value

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

25 CAPITAL COMMITMENTS

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

	2023	2022
	HK$'000	*HK$'000*
Contracted for	–	104,117
Authorised but not contracted for	–	63,102
	–	167,219

26 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2023, the Company has issued the guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries, being HK$75,000 (2022: HK$71,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK$ Nil (2022: HK$ Nil).

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

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

	2023	2022
	HK$'000	*HK$'000*
Short-term employee benefits	**8,766**	8,496
Post-employment benefits	**383**	407
	9,149	8,903

Total remuneration is included in "staff costs" (see note 5(a)).

(b) Other material related party and connected transactions

(i) In 1999, the Group entered into a development agreement (the "Agreement") with Henderson Land Development Company Limited ("HLD") and two wholly-owned subsidiaries of HLD ("HLD Sub 1" and "HLD Sub 2"), whereby HLD Sub 1 and HLD Sub 2 acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") for a consideration of HK$1,500,000,000.

As part of the Agreement, HLD Sub 1 and HLD Sub 2 agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2023, an amount of HK$302,000 (2022: HK$277,000) remained unpaid and was included in trade and other receivables.

In February 2017, the Group entered into a deed of novation (the "Deed of Novation") with HLD, HLD Sub 1 and HLD Sub 2 pursuant to which HLD Sub 1 transferred and assigned unto HLD Sub 2, and HLD Sub 2 took and assumed all of the rights and obligations of HLD Sub 1 under the Agreement subject to the terms and conditions as stated in the Deed of Novation. The Deed of Novation was supplemental to the Agreement.

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiary beneficially owned the remaining 50% equity interest in 2OK at 31 December 2023. During the year, the Group received management and administrative fees in the total of HK$18,000 (2022: HK$43,000) from 2OK. The Group and the subsidiary of HLD have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$20,000 (2022: HK$34,000) from 2OK. At 31 December 2023, the amount advanced by the Group totalling HK$1,114,000 (2022: HK$1,591,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK$2,840,000 (2022: HK$2,649,000) was charged to the Group for the year. At 31 December 2023, an amount of HK$1,421,000 (2022: HK$1,372,000) remained unpaid and was included in trade and other payables.

(iv) In March 2011, the Group entered into a Fanling Prime Cost Contract and appointed a wholly-owned subsidiary of HLD ("HLD Sub C") as the main contractor for a fee of 5% on all works relating to the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177) (the "Fanling Property"). The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee were subject to the total ceilings of the respective years.

In October 2014, the Group entered into a Fanling Prime Cost Contract Extension Letter with HLD Sub C to extend the period of payment of fees for the respective ceilings of HK$6,800,000 and HK$19,000,000 for the period from 1 June 2014 to 31 December 2014 and for the year ended 31 December 2015 respectively. During the year ended 31 December 2023, as a result of change in the latest cost estimates, an amount of HK$6,417,000 and HK$321,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development of the Fanling property and the 5% fee on all works relating to the development of the Fanling Property. At 31 December 2023, the balance has been repaid.

Under the term of Fanling Prime Cost Contract Extension Letter, the contract expired in December 2015.

(v) In October 2015, the Group entered into a letter agreement with a wholly-owned subsidiary of HLD ("HLD Sub B") and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Mira Place One (formerly known as Miramar Shopping Centre) ("Premises 1") for the marketing services of 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK$3,600,000 for the period from 1 January 2016 to 4 January 2017. The letter agreement expired in January 2017.

In January 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises 1 for use as show flats and sales office for the sale of the residential units of the TCS Property for the period from 5 January 2017 to the earlier of 4 May 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the ceiling of HK$1,700,000. The second letter agreement expired in May 2017.

No fee has been charged to the Group during the years ended 31 December 2023 and 2022. At 31 December 2023, an amount of HK$997,000 (2022: HK$997,000) remained unpaid and was included in trade and other payables.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(vi) In June 2022, a wholly-owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") and an associate (as defined in the Listing Rules) of HLD, a substantial shareholder of the Company, as landlord and a wholly-owned subsidiary of the Company as tenant entered into a tenancy agreement (the "Tenancy Agreement") in respect of the leasing of Units Nos. 901-04 & 18 on 9th Floor of Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for a term of three years from 10 June 2022 to 9 June 2025 (the "Term") at a monthly rental (exclusive of management fee, air-conditioning charges and government rates) of HK$473,000 for Year 1 of the Term, HK$522,000 for Year 2 of the Term and HK$558,000 for Year 3 of the Term, together with other ancillary charges.

In accordance with the applicable HKFRS, the Group recognised the rent payable under the Tenancy Agreement (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$16,730,000 recognised by the Group during the year, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Tenancy Agreement. As the wholly-owned subsidiary of Miramar is an associate of HLD and thus a connected person of the Company, such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees and air-conditioning charges payable by the Group to the wholly-owned subsidiary of Miramar (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A.31 of the Listing Rules.

The annual caps of the aggregate management fees and air-conditioning charges (exclusive of Government rates) payable under the Tenancy Agreement are subject to the annual ceilings of HK$1,000,000 for the period from 10 June 2022 to 31 December 2022, HK$1,500,000 for the period from 1 January 2023 to 31 December 2023, HK$1,600,000 for the period from 1 January 2024 to 31 December 2024, and HK$800,000 for the period from 1 January 2025 to 9 June 2025.

During the year, an amount of HK$1,328,000 (2022: HK$737,000), being the aggregate of management fees and air-conditioning charges under the Tenancy Agreement, was charged to the Group.

(vii) In June 2022, the Group appointed HLD Sub B, an indirect wholly-owned subsidiary of HLD as the sales manager to provide project sales and marketing services in respect of the comprehensively planned development of a site at The Remaining Portion of New Kowloon Inland Lot No. 6559 held by Urban Renewal Authority as the owner and the Group as the developer (the "Proposed Development") for a term of three years commencing from the date of the first initial sale of any residential units of the Proposed Development at a sales fee equivalent to 0.5% of the gross proceeds of sale of such units (but excluding those sale and purchase agreements which were effected by third party sales agent(s)) subject to the annual ceilings of HK$8,000,000 for the year ended 31 December 2022, HK$3,000,000 for the year ended 31 December 2023, HK$2,000,000 for the year ending 31 December 2024 and HK$1,000,000 for the period from 1 January 2025 to 31 May 2025 (but only up to and including the date being 3 years from the commencement date of the term).

No fee was charged to the Group during the year.

27 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(viii) In June 2022, the Group entered into a letter agreement with HLD Sub B (the "Letter Agreement") pursuant to which HLD Sub B would provide portions of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (the "Premises") rented under the agreement entered into between a wholly-owned subsidiary of Miramar as landlord and HLD Sub B as tenant in respect of the tenancy of Shops 501-506, 5th Floor, Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (of which the Premises form part) dated 31 July 2020, as disclosed in the announcement of Miramar dated 31 July 2020 (the "Miramar/HPAL Agreement"), for use as show flats and sales office for the sale of the residential units of the Proposed Development for the period from 10 June 2022 to the earlier of 4 August 2023 and the date on which the last residential unit in the Proposed Development to be sold is sold, at a monthly rent of HK$170,000 together with other ancillary charges, representing the relevant management fees, air-conditioning charges and the promotion contribution, the aggregate of such charges would be subject to the respective ceilings of HK$330,000 for the period from 10 June 2022 to 31 December 2022 and HK$330,000 for the period from 1 January 2023 to 4 August 2023. The Letter Agreement expired on 4 August 2023.

In accordance with the applicable HKFRS, the Group recognised the rent payable under the Letter Agreement (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK$2,350,000 recognised by the Group during the year, having been measured on the basis of the discounted present value of the fixed rent payable by the Group under the Letter Agreement. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The management fees, air-conditioning charges and the promotion contribution payable by the Group under the Letter Agreement (being variable payments) are being recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the period from 10 June 2022 to 4 August 2023, the Group did not use the Premises as show flats and sales office for the sale of the residential units of the Proposed Development. The carrying amount of the right-of-use asset of approximately HK$168,000 was reversed and the Group was not required to pay any management fees, air-conditioning charges and the promotion contribution to HLD Sub B.

(ix) At 31 December 2023, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (2022: 33.41%) of the total number of issued shares of the Company.

To the extent the above transactions constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

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

The related party transactions in respect of notes 27(b)(iv), (v), (vi), (vii) and (viii) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2023.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 HK$'000	2023 HK$'000	2022 HK$'000	2022 HK$'000
Non-current assets					
Interest in subsidiaries	12		5,554,334		5,678,833
Interest in associate			3,268		3,268
Net employee retirement benefits assets			2,100		212
			5,559,702		5,682,313
Current assets					
Trade and other receivables		1,083		1,557	
Cash and bank balances		5,602		3,459	
		6,685		5,016	
Current liabilities					
Amounts due to subsidiaries		1,442,134		1,081,457	
Long service payment liabilities		6		–	
Trade and other payables		7,411		6,612	
		1,449,551		1,088,069	
Net current liabilities			(1,442,866)		(1,083,053)
NET ASSETS			4,116,836		4,599,260
CAPITAL AND RESERVES	23(a)				
Share capital			1,754,801		1,754,801
Reserves			2,362,035		2,844,459
TOTAL EQUITY			4,116,836		4,599,260

Approved and authorised for issue by the board of directors on 20 March 2024.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 9.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial Instruments: Disclosures : Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

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

FIVE YEARS' FINANCIAL SUMMARY

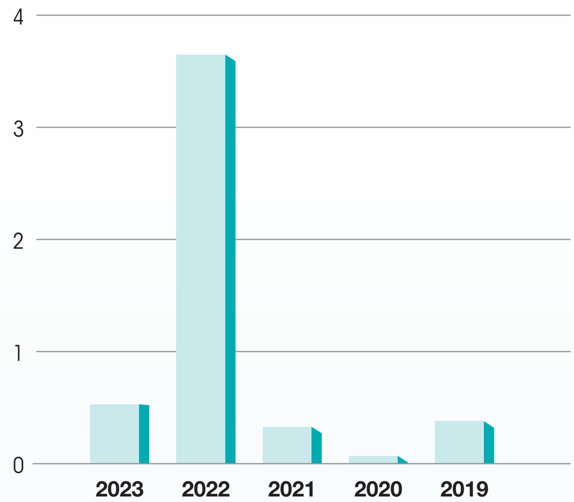
	2019 *HK$ Million*	2020 *HK$ Million*	2021 *HK$ Million*	2022 *HK$ Million*	**2023** ***HK$ Million***
Results					
Revenue	299	208	244	281	**375**
Profit for the year attributable to:					
Equity shareholders of the Company	136	27	118	1,299	**190**
Non-controlling interests	–	–	–	–	**(4)**
	136	27	118	1,299	**186**
Dividends	135	89	89	445	**89**
Assets and liabilities					
Investment properties, other property, plant and equipment and leasehold land	2,276	2,261	2,345	2,456	**2,587**
Interest in associates	7	8	8	7	**6**
Interest in joint ventures	1,364	1,527	495	947	**700**
Properties under development for sale	1,093	1,165	1,274	1,625	**7**
Other financial assets	248	160	136	113	**107**
Deferred tax assets	3	3	3	6	**4**
Other assets	1,388	1,095	2,008	2,380	**3,878**
Total assets	6,379	6,219	6,269	7,534	**7,289**
Total liabilities	246	247	264	316	**324**
Net assets employed	6,133	5,972	6,005	7,218	**6,965**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
Earnings per share	0.38	0.07	0.33	3.65	**0.53**
Dividend per share	0.38	0.25	0.25	1.25	**0.25**
Net assets per share	17.23	16.76	16.85	20.26	**19.55**
	Times	*Times*	*Times*	*Times*	***Times***
Dividend cover	1.0	0.3	1.3	2.9	**2.1**

Note to the five years' financial summary:

As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

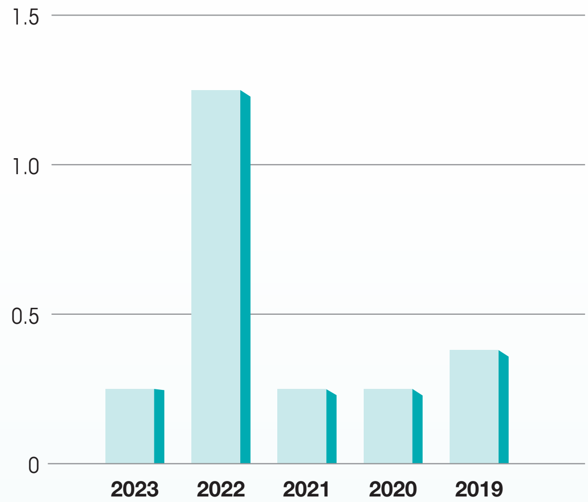
Earnings per share

HK$



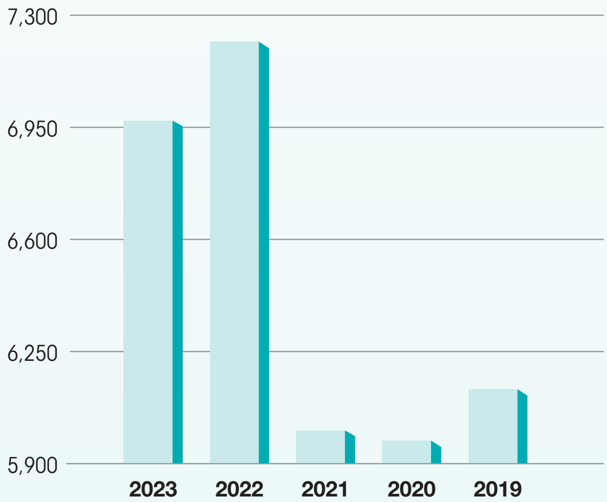
Dividends per share

HK$



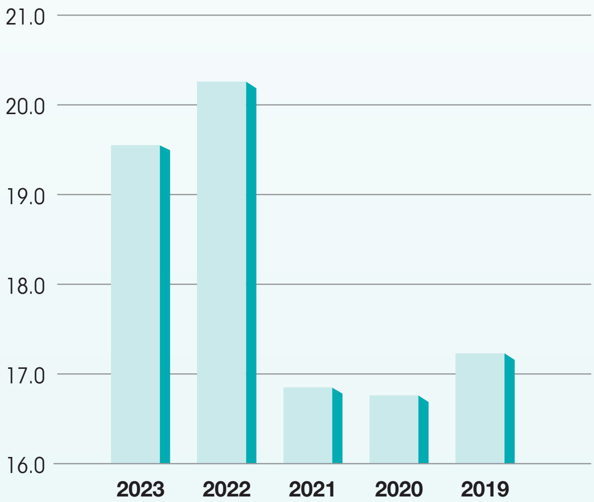
Shareholders' funds

HK$ Million



Net assets per share

HK$



1. PROPERTIES HELD FOR SALE

Location	Lot No.	Saleable area remaining unsold *(sq.m.)*	Group's interest *(%)*	Existing use
The Royale 8 Castle Peak Road – Castle Peak Bay Tuen Mun	Tuen Mun Town Lot No. 547	2,444	50	Residential
The Symphonie 280 Tung Chau Street Cheung Sha Wan	New Kowloon Inland Lot No. 6559 RP	8,036	100	Residential

2. PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade
METRO6 121 Bulkeley Street	Hung Hom I.L. No. 555	932	2061	Commercial arcade
Green Code 1 Ma Sik Road Fanling	F.S.S.T.L. 177 (S.T.T. 1364(N))	12,684	2060	Commercial arcade
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade

2. PROPERTIES HELD FOR INVESTMENT (Continued)

Location	Lot No.	Gross floor area (sq.m.)	Lease expiry (year)	Existing use
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown
Ground floor together with the Yard adjacent thereto, 234 Sai Yeung Choi Street South	KIL 2567 RP	79	2080	Shop
Ground floor of No. 250 Sai Yeung Choi Street South and ground floor of No.252 Sai Yeung Choi Street South	KIL 2292 Sec. B, C and RP	169	2080	Shop

3. OTHER PROPERTIES

Location	Lot No.	Site area (sq.m.)	Lease expiry (year)	Group's interest (%)	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431–487, 569 and 635–637	28,423	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos. 498–499, and 588–591	849	2047	100	Agricultural land

100+ HKF

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