SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

ANNUAL REPORT

2023

CONTENTS

Corporate Information

DIRECTORS

Executive Directors:

Lim Kia Hong
(Chairman and Chief Executive Officer)
Lim Kiah Meng *(Vice chairman)*
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Ma Shiu Sun Michael
Ng See Wai Rowena (appointed on 31 March 2023)
Tan Song Ping (appointed on 17 August 2023)
Ms. Ong Wui Leng (resigned on 7 June 2023)

COMPANY SECRETARY

Chiu Lai Chun Rhoda

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

803
Nine Queen's Road Central
Hong Kong
Telephone: (852) 2138 3938
Fax: (852) 2138 3928

STOCK CODE

00529

INVESTOR RELATIONS

www.sisinternational.com.hk
enquiry@sis.com.hk

AUDITORS

Deloitte Touche Tohmatsu
(Registered Public Interest Entity Auditor)

PRINCIPAL BANKERS

DBS Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.
OCBC Bank
Sumitomo Mitsui Banking Corporation
The Tokyo Star Bank, Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

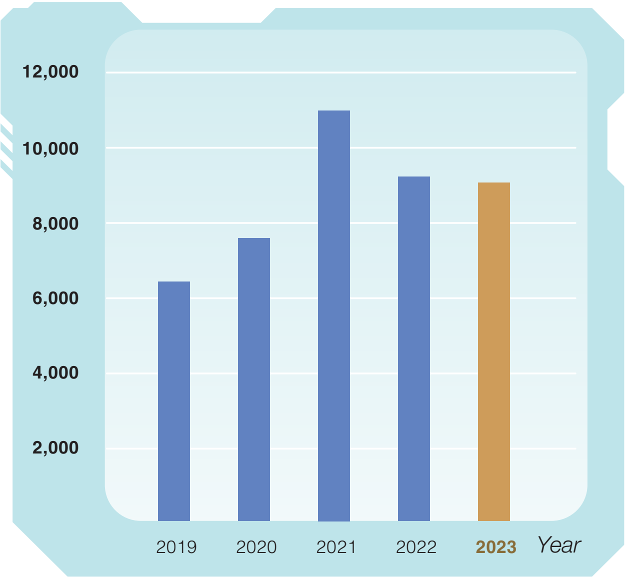
MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

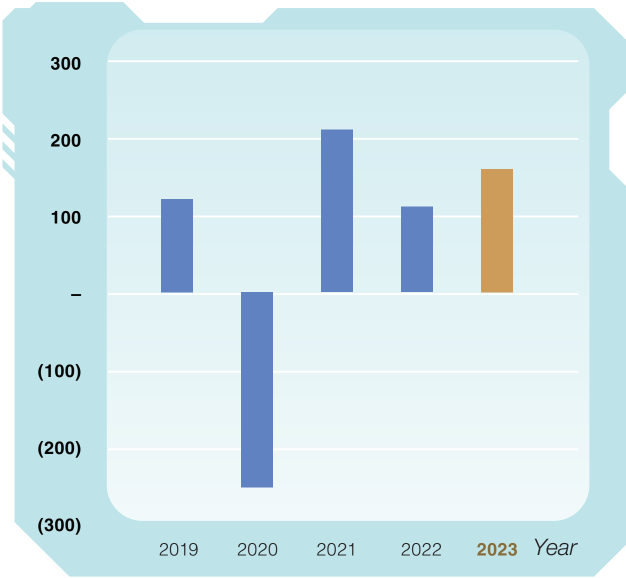
Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Financial Highlights

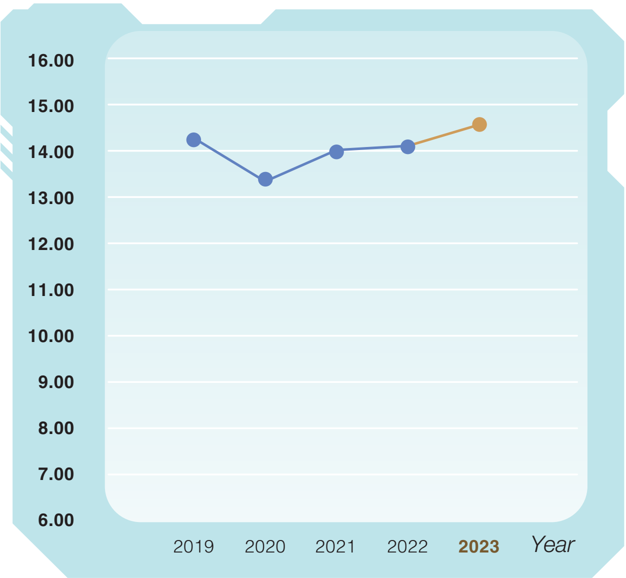
Revenue
HKD'M



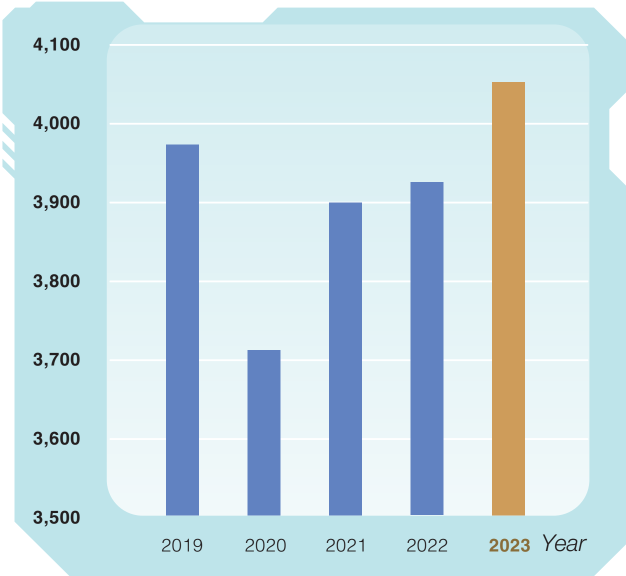
Net Profit
HKD'M



Net Asset Value Per Share
HKD

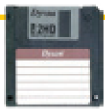


Shareholders' Equity
HKD'M



History and Milestones

1983



- Founded in Singapore
- Became distributor for Dysan floppy disk in 1983 and 3Com network in 1984 and started building a reseller base

1984

- Introduced AST peripherals and Tallgrass' tape drives to new IBM and Apple resellers

1987

- One of the first to distribute original software from Symantec, WordPerfect, Aldus Pagemaker, Harvard Graphics, Central Point Software

1992

SiS

- SiS listed successfully on the main board of the Hong Kong Stock Exchange (529.HK) in less than 10 years after it was founded in 1983

1997

- Sold a 80% stake in SiS Distribution Ltd. to CHS Electronics

2002

- One of the first to introduce smartphones in Asia

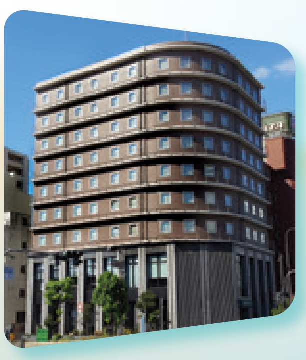
2004

SiS Thailand

- SiS Thailand successfully listed on Thailand Stock Exchange (SIS.TH) in less than 5 years after it was invested by SiS Group in 2000

2011

- Acquired a stake in IT Consultants PLC ("ITCL"), a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh
- Acquired Synergy Technologies (Asia) Ltd to form SiS mobile business
- Sold IT distribution business in Hong Kong, Singapore, Malaysia to conglomerate Jardine Matheson Group



2012-15

- Acquired properties in Japan
  - In 2012 Rinku Gate Tower in Osaka (the second tallest building in Japan)*
  - In 2013 five Toyoko Inn hotel properties
  - In 2014 two hotel properties in Otaru and Hakodate respectively
  - In 2015 two hotel properties in Tokyo and Kyoto respectively

2015

- SiS Mobile Holdings Limited successfully listed on the main board of Hong Kong Stock Exchange (1362.HK)
- Set up SiS Hospitality Holdings Limited to hold all properties in Japan

2016

- ITCL successfully listed on The Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh
- Acquired properties in Japan
  - In 2016 seven hospitality properties in Tokyo, Osaka, Kyoto, Sapporo and Otaru respectively

2017

- Acquired additional interest in SiS Thailand thus it became a subsidiary of SiS Group

2018

- Acquired a hotel property in Sapporo

2019

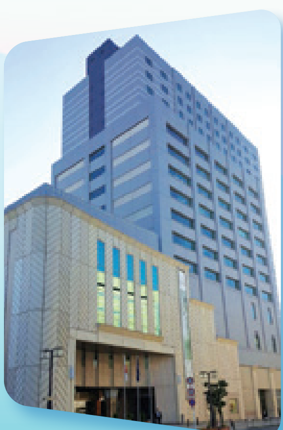
- Acquired a hotel property in Okinawa and a hostel in Kyoto
- Rinku Gate Tower was renamed to SiS Rinku Tower
- Grand opening of a 258 rooms hotel in SiS Rinku Tower

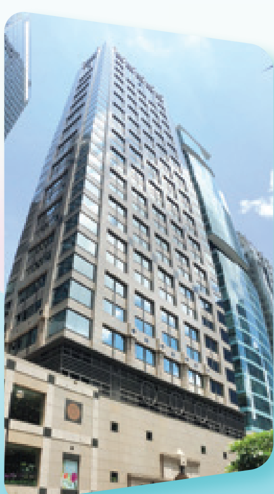
2020

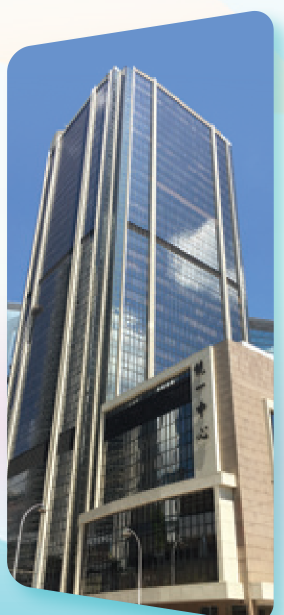
- Acquired two hotel properties in Nagano and Wakayama respectively
- Commenced first self-operated hotel in Osaka

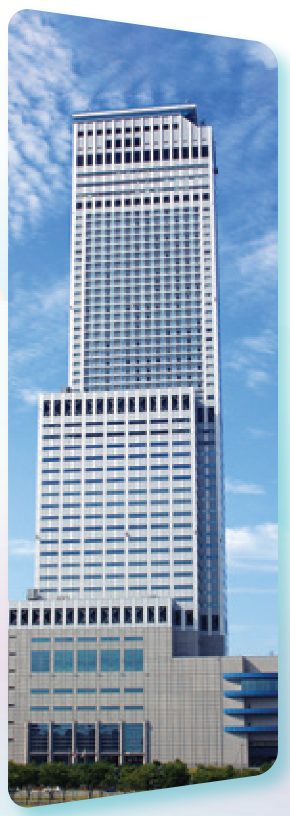
2023

- Open two self-operated hotel in Osaka and Sapporo









* based on encyclopedia Wikipedia on 23 November 2012.

Message from the Chairman and CEO

Dear Shareholders,

I am delighted to present our Group's performance for the fiscal year ending on 31 December 2023. Amid challenges, our strategic initiatives and resilient business approach have yielded commendable results. Notably, our net profit experienced an increase of 45%, reaching HK$160.4 million for the year ended 31 December 2023 when compare to the previous year of HK$110.9 million, even though there was a moderate reduction in revenue from HK$9.23 billion to HK$9.07 billion for the year ended 31 December 2023. The net asset value per share rose from HK$14.1 to HK$14.6 as at 31 December 2023 and earnings per share grew from HK 16.0 cents to HK 31.9 cents for the year ended 31 December 2023.

FINANCIAL HIGHLIGHTS

- Net Profit for the year: up 45% to HK$160,412,000 in 2023 from HK$110,855,000.
- Revenue: reduced 2% from HK$9.23 billion to HK$9.07 billion in 2023.
- Net Asset Value Per Share: up 3.5% from HK$14.1 in 2022 to HK$14.6 in 2023.
- Earnings Per Share: up 99% from HK cents 16.0 to HK cents 31.9 cents in 2023.

The global business landscape is navigating the aftermath of the COVID-19 pandemic, witnessing a gradual recovery in the tourism sector. However, geopolitical tensions, conflicts in Ukraine and Gaza, and persistently high interest rates continue to impact economic recovery. Despite these challenges, our Group has demonstrated resilience and adaptability, positioning ourselves for sustained performance.

BUSINESS REVIEW

Distribution Business

The distribution sector faced a decline in revenue due to reduced demand for smartphones, mirroring a similar trend in both Thailand and Hong Kong, resulting in a decrease in total distribution revenue from HK$8,978,287,000 to HK$8,757,455,000. We continue to diversify and expand our distribution of IT products and value-added services.

SiS Distribution (Thailand) Public Company Limited contributed HK$204,225,000 to the segment profit while experiencing reduction in revenue due to declining smartphone demand. In Hong Kong, a similar trend occurred for the demand of mobile phone while our revenue in Hong Kong continued to grow moderately for IT solution products and value-added services.

Message from the Chairman and CEO

Real Estate Investments Business

As of 31 December 2023, the carrying value of properties in Japan amounted to HK$2.28 billion. The combined value of investment properties in Hong Kong, Singapore, and Thailand amounted to HK$1.42 billion. Revenue from rental leases and hotel operations in Japan witnessed a growth of 29%, fueled by the burgeoning tourism industry. As part of our strategic asset enhancement, we disposed of a hotel property in Tsukiji, Japan, resulting in a gain of HK$61,050,000. We remain committed to seeking quality hospitality properties to enhance our real estate portfolio while disposing of lower potential or lower yield properties.

In Hong Kong, challenging conditions in the office space and commercial properties rental market led to a rental revenue decrease and a fair value loss of HK$158,642,000. On 28 February 2024, all cooling measure on the Hong Kong property market including buyer's stamp Duty (BSD) have been removed by the Hong Kong government in order to revive market and to boost sluggish economy.

Investment in IT, Securities and other Businesses

The Group achieved a significant segment gain of HK$128,741,000 in securities investments and holdings, marking a turnaround from the previous year as the technology stock market began to rebound. Our associated company in Bangladesh, IT Consultants PLC demonstrated a remarkable 70% increase in contribution to the Group, reaching HK$9,699,000 in 2023.

Asset Management

In 2023, we observed the valuation of numerous technology startups and growth companies readjusting to a more reasonable level, aligning with prevailing market conditions. The performance of SiS Cloud Global Tech Fund 8 is particularly encouraging, given its focus on key segments such as cloud computing, Software as a Service (SaaS), cyber security, and artificial intelligence (AI). Despite some holdings still being in the growth stage, the value of several of our portfolio companies has increased.

We maintain an active stance in pursuing opportunities to invest in high-quality startups and growing technology companies within these sectors.

PROSPECT

Despite global challenges, including geopolitical tensions, inflation, rising interest rates, and increased living costs, the Group is moving forward cautiously.

Our directors are actively exploring new opportunities, recognizing growth potential in expanding our distribution business, and real estate investment in hotel properties during uncertain times. With a diverse hospitality portfolio in Japan, we aim to capitalize on the growing demand from both corporate and leisure travelers. Our asset management funds stand ready to invest in start-up technology and growth companies at reduced valuations that offer significant long-term growth potential.

Message from the Chairman and CEO

APPRECIATION

On behalf of the Board, I express sincere gratitude to our staff, customers, vendors, business partners, banks, and shareholders for their unwavering commitment and dedication, particularly during challenging market conditions. Their support, combined with the efforts of the senior management team, has enabled us to conduct business effectively in this dynamic environment.

Lim Kia Hong
Chairman and Chief Executive Officer

Hong Kong, 25 March 2024

Management Discussion and Analysis

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2023, the Group had total assets of HK$8,601,309,000 which were financed by total equity of HK$4,052,636,000 and total liabilities of HK$4,548,673,000. The Group had a current ratio of approximately 1.08 compared to that of approximately 1.06 at 31 December 2022.

As at year end 2023 the Group had HK$1,284,363,000 (2022: HK$1,170,102,000) bank deposits balances and cash of which HK$323,234,000 (2022: HK$308,016,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank borrowings and bonds. As at 31 December 2023, the Group had short term borrowings and bonds of HK$2,430,725,000 (2022: HK$2,609,124,000) and long term borrowings and bonds of HK$735,312,000 (2022: HK$1,016,412,000). The borrowings were mainly denominated in Japanese Yen, Thai Baht, United States Dollar and Hong Kong Dollar, and were charged by banks at floating interest rates.

At the end of December 2023, the Group had a net cash deficit (total bank borrowings and bonds, less bank balances and cash and pledged deposits) of HK$1,881,674,000 (2022: HK$2,455,434,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 31 December 2023 was 78% (2022: 92%).

Charges on Group Assets

At the balance sheet date, the Group's had pledged deposits of HK$323,234,000 (2022: HK$308,016,000), investment properties with carrying value of HK$3,272,114,000 (2022: HK$3,656,586,000) and property, plant and equipment with carrying value of HK$557,663,000 (2022: HK$571,456,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of real estates and working capital. Certain shares of subsidiaries have been pledged to the banks as at 31 December 2022 and 2023 to secure several banking facilities available to the Group.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

The number of staff of the Group as at 31 December 2023 was 1,160 (2022: 1,022) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments and share option expenses, amounted to HK$252,054,000 (2022: HK$212,421,000) for the year ended 31 December 2023. In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2023, no share options have been granted or exercised. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Management Discussion and Analysis

Currency Risk Management

Certain purchase of goods of the Group are dominated in United States dollar. Certain bank balances are dominated in United States Dollar, Australian Dollar, Singapore Dollar, Japanese Yen and Renminbi, while certain bank borrowings are dominated in United States Dollar and Japanese Yen. These currencies are other functional currencies of the relevant group entities. The Group currently does not have comprehensive currency hedging policy. However, the management monitors the currency fluctuation exposure and has entered into foreign currency forward contracts. At 31 December 2023, the Group had outstanding forward contracts of notional amount HK$160,220,000 (2022: HK$193,307,000) which were measured at fair value at the reporting date.

Contingent Liabilities

At 31 December 2023, the Group did not have any contingent liabilities or guarantees (31 December 2022: Nil).

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the "Code") as set out in the Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material deviations from the Code are explained in the report below.

BOARD OF DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the "INED"), namely, Mr. Ma Shiu Sun Michael, Ms. Ng See Wai Rowena (appointed on 31 March 2023) and Ms. Tan Song Ping (appointed on 17 August 2023). Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director and relationship between board members are set out on page 33 and 34 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the Chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code B.2.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the position of chairman shall be elected after the next Annual General Meeting. Also in view of the small number of the total Directors of the Company, the deviation is not material.

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management. As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group. According to the Bye-Laws of the Company, the position of chairman and vice-chairman shall be elected after next Annual General Meeting to be held on 31 May 2024. The deviation from the Code C.2.1 is considered acceptable.

DIRECTORS NOMINATION POLICY

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall made recommendation to the Board whenever they consider appropriate.

The Company consolidated its nomination procedures and selection criteria of directors into the nomination policy of the Company (the "Directors Nomination Policy"), which was approved and adopted by the Company, and was effective on 1 January 2019. The summary of the Nomination Policy is as follows:

When considering a candidate nominated for directorship or a director's proposed re-appointment, the Board will take into account the following factors as a reference:

- the candidate's character and honesty;

- whether the qualification, skills, experience, industry knowledge of the candidate meet the business needs or are in line with the long term development of the Company;

- effect on the board's composition and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and the compliance with the board diversity policy of the Company;

- commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;

- the requirement of appointing independence non-executive directors to the board under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the independence of a candidate pursuant to Rule 3.13 of the Listing Rules;

- any potential/actual conflicts of interest that may arise if the candidate is selected;

- for the appointment or re-appointment of independent non-executive directors, the independence of the candidate and his/her immediate family from the Company; and

- in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

the above factors are for reference only, and not meant to be exhaustive and decisive.

Subject to the provisions in the Company's Articles of Association, if the Board recognizes the need to appoint an additional director, the following procedures should be adopted:

- the Board shall call a meeting and invite nominations of candidates from the Nomination Committee of the Company for consideration by the Board prior to its meeting;
- the Board may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;
- the Board shall hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held; and
- the Board shall provide to the Shareholders for its consideration with all the information required, including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates.

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular accompanying the notice of the relevant general meeting will be sent to shareholders of the Company. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the notice to shareholders of the Company in due course.

BOARD DIVERSITY

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

As at year end 2023, three out of the seven board members are female. The Company considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, and professional background, skills and gender of the Directors.

BOARD COMMITTEES

The Board has established three Committees. The table below provides membership information of these Committees on which certain Board members serve:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Lim Kia Hong	–	C	M
Mr. Lim Kiah Meng	–	M	M
Mr. Ma Shiu Sun Michael	M	M	C
Ms. Ng See Wai Rowena (appointed on 31 March 2023)	M	M	M
Ms. Tan Song Ping (appointed on 17 August 2023)	C	M	M
Ms. Ong Wui Leng (resigned on 7 June 2023)	C	M	C

Notes:

C — Chairman of the relevant Committee

M — Member of the relevant Committee

AUDIT COMMITTEE

The Audit Committee is comprised of all INED. Ms. Tan Song Ping was appointed as the Chairlady of the Audit Committee.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year ended 31 December 2023 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 28 March 2012 and is comprised of all INED and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- assess the independency of independent non-executive directors; and

- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

Two meeting were held during the year ended 2023 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors. The Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Mr. Ma Shiu Sun Michael as Chairman from 7 June 2023 onwards.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2023, and the members had reviewed the remuneration policy and determined remuneration of Directors.

Corporate Governance Report

Pursuant to Code Provision E.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2023 are as follows:

Remuneration band	Number of individuals
HK$1 to HK$1,000,000	4
HK$1,000,0001 to HK$3,000,000	1
HK$3,000,0001 to HK$5,000,000	3

Details of the remuneration of each director for the year ended 31 December 2023 are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which have been formalised into the terms of reference of the Board, a summary of which are as follows:

- develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Board performed its corporate governance duties. The Board has reviewed the code of corporate governance of the Company for adoption of amendments to the Listing Rules, approval of the Dividend Policy, Directors Nomination Policy, Board Diversity Policy and the procedures for shareholders to propose a person for election as director (which has been disclosed in the Company's website). Corporate Governance Report contained in this Annual Report has approved by the Board.

DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct") with subsequent amendments thereafter. The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix C3 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 48 to 53.

AUDITORS' REMUNERATION

During the year ended 31 December 2023, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	Service fee HK$'000
Audit services	4,925
Tax advisory	950
Other services	554
	6,429

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2023:

	General Meeting	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Number of meeting during the year	(1)	(6)	(4)	(2)	(1)
Executive Directors					
Lim Kia Hong	1	6	N/A	2	1
Lim Kiah Meng	1	6	N/A	2	1
Lim Hwee Hai	1	6	N/A	N/A	N/A
Lim Hwee Noi	1	6	N/A	N/A	N/A
Independent Non-Executive Directors					
Ma Shiu Sun Michael	1	6	4	2	1
Ng See Wai Rowena (appointed on 31 March 2023)	1	4	3	1	N/A
Tan Song Ping (appointed on 17 August 2023)	N/A	2	2	N/A	N/A
Ong Wui Leng (resigned on 7 June 2023)	1	2	2	1	1

RISK MANAGEMENT AND INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the risk management and internal control system periodically and enhance the system when necessary. The Company has internal audit functions. The internal auditors reviewed the risk management and internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct four reviews of the effectiveness of the system of the internal control and risk management of the Group during the year. The Directors considered that the systems are adequate and effective.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2023, the Company had organised a seminar regarding the latest developments in listing rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year, the Directors participated in continuous professional development activities as set out below:

	Attending trainings/ briefings/seminars
Executive Directors	
Lim Kia Hong	√
Lim Kiah Meng	√
Lim Hwee Hai	√
Lim Hwee Noi	√
Independent Non-Executive Directors	
Ma Shiu Sun Michael	√
Ng See Wai Rowena	√
Tan Song Ping	√

COMPANY SECRETARY

Ms. Chiu Lai Chun Rhoda has been appointed as company secretary of the Company since 2004. She is a Certified Public Accountant in Hong Kong. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2023.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange of Hong Kong; (d) meeting with investment fund manager and investors; and (e) the Company's web-site providing an electronic means of communication.

The shareholders' meeting in 2023 was the annual general meeting held on 7 June 2023 at 23/F Club Lusitano, 16 Ice house Street, Central, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2022; to re-elect directors; approve the general mandates for the issue and repurchase of the Company's share; and amend the Bye-Laws and adopt the new Bye-Laws of the Company.

During the year under review, the Company has made changes to its Bye-Laws to conform to the Listing Rules for shareholders protection and to incorporate certain housekeeping changes. An up to date version of the Company's Bye-Laws is available on web-sites of the Company and the Stock Exchange of Hong Kong. Shareholders may refer to the Company's Bye-Laws for further details of their rights.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Bye-Laws, any one or more shareholders holding at the date of the deposit of the requisition in aggregate at least one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene a special general meeting and add resolutions to the agenda of the meeting so convened. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least and a meeting other than an annual general meeting shall be called by 14 days' notice in writing at the least.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

803 Nine Queen's Road Central, Hong Kong
Fax: (852) 2138 3928
Email: enquiry@sis.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company (www.sisinternational.com.hk) and the Stock Exchange of Hong Kong (www.hkexnews.hk) immediately after the relevant general meetings.

Environmental, Social and Governance Report

ABOUT THIS REPORT

SiS International Holdings Limited ("SiS International" or "the Group") was founded in 1983. We are principally engaged in real estate investment, mobile and IT products distribution as well as investments in assets and businesses. SiS International has been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") since 1992 (Stock Code: 00529). The Group has also successfully listed three investee companies —SiS Distribution (Thailand) Public Co. Ltd on the Thailand Stock Exchange since 2004; SiS Mobile Holdings Limited on the Main Board of Hong Kong Stock Exchange in 2015; and IT Consultants PLC ("ITCL") on two stock exchanges — Dhaka and Chittagong — in Bangladesh in 2016.

With our strong commitment to the well-being of stakeholders and the environment, stringent standards are endorsed in the entire product manufacturing value stream in order to deliver enduring value to our major stakeholders. The Group is pleased to present our 8th environmental, social and governance ("ESG") report (the "Report").

Unless otherwise specified, the environmental data covers the Group's operation in Hong Kong and Japan. The Group's operation in Thailand, as a subsidiary of the Group, is listed in Thailand with its own ESG report, the data from Thailand business was excluded from this report. The Group operates asset management business in Singapore. However, we consider this business to be non-core and relatively small in scale compared to our main operations. Therefore, the data from this location was also excluded from this report.

REPORTING SCOPE

The Report presents the Group's ESG management approach, environmental and social performance and material topics within our operational boundaries listed below during the period from 1 January 2023 to 31 December 2023 (the "Reporting Period" or "FY2023"). The scope of this Report includes the environmental and social performance of the main operations of the Group in Hong Kong and Japan. There were no material changes in the reporting scope as compared to previous year.

REPORTING GUIDELINE

In preparing this Report, the Group has complied with the "mandatory disclosure requirements" and the "Comply or Explain" provisions in accordance with the Environment, Social and Governance Reporting Guide (the "Guide") as set out in Appendix C2 to the Rules Governing the Listing of Securities on Main Board of the Stock Exchange (the "Main Board Listing Rules") and in accordance with the practical circumstances of the Company.

In the course of the Report's preparation, we have adhered to the following reporting principles set out in the ESG Reporting Guide:

Materiality

The Report contains issues that reflect material ESG impact or substantially affect stakeholders.

Consistency

The Report uses consistent methodologies of ESG data over time. Any changes to the methods used or any other relevant factors affecting the methodologies have been disclosed in the Report.

Balance

The Report provides an unbiased picture of our performance. The Report avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the Report reader.

Quantitative

The Report discloses key performance indicators in ways that can be measured so that the effectiveness of ESG policies and management systems can be evaluated and validated.

FEEDBACK

Any comments or suggestions on this Report or the Group's sustainable development management are welcome. If you have any comments or suggestions, please feel free to contact us at:

- Address: 803 Nine Queen's Road Central, Hong Kong
- Telephone: (852) 2138 3938
- Email: enquiry@sis.com.hk
- Website: www.sis.com.hk

BOARD STATEMENT

Adhering to its vision of sustainability, the Company is committed to generating maximum value for its shareholders as well as balancing interests of the environment, society and other aspects to promote harmony and prosperity for different kinds of stakeholders.

To strengthen our management on sustainable development, an ESG governance structure was established. The Board takes full accountability for the Group's ESG governance and sustainable development. They are responsible for monitoring the Group's material ESG issues, performance, and evaluating the ESG-related risks and opportunities regularly. Under the authorization of the Board, the management considers and evaluates various stakeholders' concerns and interests by materiality assessment to determine the Group's ESG management approach, strategy, priorities, and objectives.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. To understand the concerns of various stakeholders, the Group have engaged and discussed with various business functions and management personnel to communicate with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, with a view to driving long-term prosperity and creating greater value for the community.

Key Stakeholder Groups	Major Engagement Channels	Topics of interest/concern
Shareholders	Investor relations communication, Shareholder meeting	Business strategies and sustainability Financial performance Corporate governance
Employees	Meeting and Staff interview	Training Promotion Employee remuneration Safety and respectful workplace
Customers	Business relationship/Feedback	Produce quality and consistent service. Client data security
Government	Disclosures and Statutory filings	Compliance with laws and regulations Environment protection
Suppliers and business partners	Business relationship	Fair competition Business ethics

MATERIALITY ASSESSMENT

The Group has conducted an extensive survey with the primary objective of delving into the paramount significance associated with various ESG components concerning the stakeholders and the seamless functioning of the Group's intricate Business and Operation.

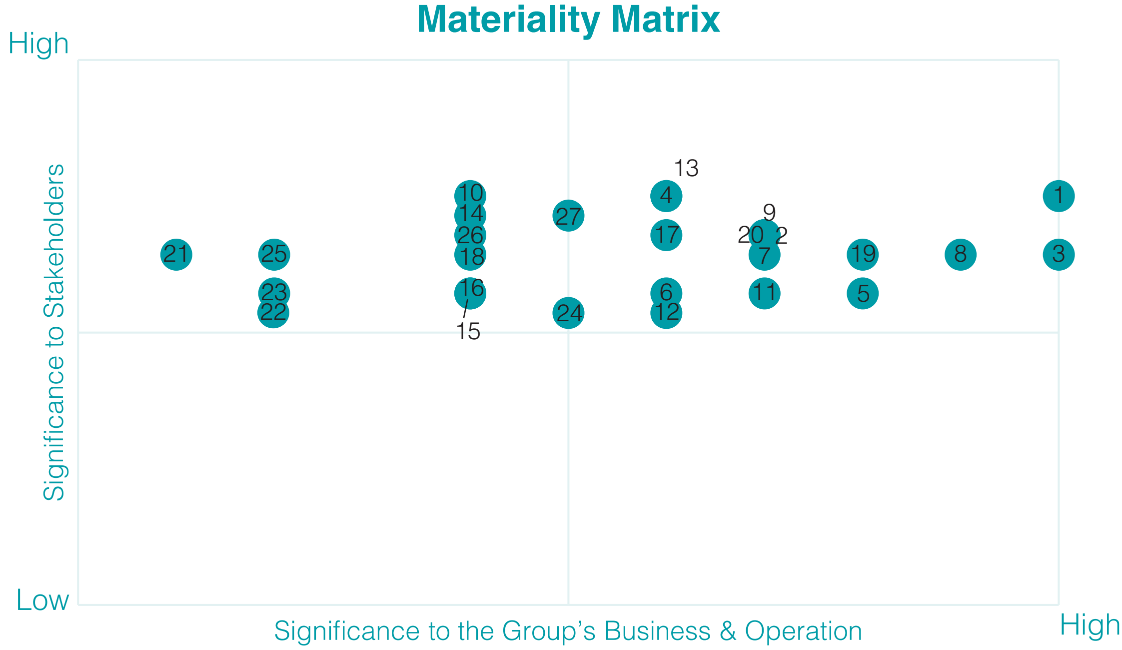
Through this meticulous inquiry, the Group sought to discern and comprehend the intricate interplay between these ESG elements and their impact on the relevant stakeholders, as well as the overall functioning and sustenance of the Group's multifaceted business undertakings. This comprehensive analysis allowed the Group to garner deep insights into the multifarious dimensions of ESG and how they intertwine with the interests and expectations of the discerning stakeholders.

Furthermore, by conducting this far-reaching survey, the Group aimed to underscore the potential influence that ESG elements exert on the Group's long-term viability and competitiveness within the dynamic business landscape. The results of this undertaking will enable the Group to make well-informed decisions and formulate effective strategies that align with the ever-evolving needs and aspirations of its diverse stakeholders, ultimately contributing to the Group's sustainable growth and success.

Environmental, Social and Governance Report

A number of environmental, social and operation topics were identified for the material assessment after performing desktop research. Significance of the topics for the Group and its stakeholders are assessed to help the Group understand the gap between its development direction and the stakeholders' expectations. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

Materiality Matrix



Social — Operation/Employment	Social — Operation/Employment	Environment
1. Product and Service Quality	10. Anti-Corruption Policy and Whistleblower Procedures	20. Climate Change Risk
2. Customer Experience and Satisfaction	11. Intellectual Property Rights Protection	21. Greenhouse Gas Emission Reduction
3. Customer Data and Privacy Protection	12. Safeguard Network Security	22. Waste (Hazardous and Non-Hazardous Waste) Reduction
4. Optimise Cooperation with Supplier	13. Protect Employee's Rights and Interests	23. Energy Consumption Reduction
5. Supply Chain ESG Management	14. Occupational health and safety	24. Waster Consumption Reduction
6. Responsible supply chain management	15. Staff Training and Employment Development	25. Packaging Materials Consumption Reduction
7. Anti-COVID 19 Epidemic	16. Equal Opportunity, Diversity and Anti-Discrimination	26. Environmentally Friendly Products
8. Operate in a Credible and Compliant Manner	17. Prohibit Child Labour and Forced Labour	27. Environmental Compliance
9. Corporate Governance and Risk Management	18. Compliance Employment	
	19. Community Charity and Investment	

According to the results of the materiality matrix, the Group should focus on Social — operation/employment aspects. Looking forward, the Group will continue to review and develop corresponding ESG policies and targets, as well as optimizing the ESG reporting disclosure in order to pursue continuous improvement in our ESG performance in future.

ENVIRONMENTAL

The Group has done everything within its power to safeguard the environment at work and from its commercial operations throughout the year. The Group also provides awareness training to its staff on the importance of supporting the environment. The Group works to minimize any negative effects on the environment that may be linked to its operations by identifying and managing those effects.

A1. Emissions

The Group invests in income generating properties or properties with the potential to appreciate in value. Most of the properties are for hospitality and office usage purposes. Properties are mainly leased to tenants/hotel operators for stable lease income. Therefore the hospitality operation attributes greenhouse emission for the Group. The Group has taken steps to closely monitor and minimize environmental impacts in its hospitality operation.

For our 56-storey iconic building involving hospitality, office and conventional centre located in Japan, an energy system was installed by an Energy Service Company ("ESCO") in 2015 for energy saving purpose. The ESCO is engaged to monitor the effectiveness of new heat source system regularly. Electricity, heating & gas ("Energies") was saved continuously.

For hospitality business, Japan's tourism industry fully recovered in 2023, and there was a significant influx of tourists from around the world visiting Japan for sightseeing. Our Group has been making continuous efforts to develop the hotel business in Japan after the outbreak of COVID-19. During the Reporting Period, the energy indirect emissions were mainly from our hospitality business in Japan. Given Japan's tourism industry fully recovered in 2023, the CO_2 emission was increased.

For mobile phone and IT products distribution business, we are also the leaders in Asia when it comes to the distribution of technological products, having a vast reseller channel network that includes several well-known manufacturers. Since we are not producers, there is no creation of hazardous waste.

The primary contributors to the Group's greenhouse gas emissions were the acquired electricity, gas, and heating used in the hospitality business in Japan. The Group's emissions of greenhouse gases increased due to the recovery of Japan's tourism industry aforementioned.

During the Reporting Period, the Group did not have air emissions and direct GHG emissions (Scope 1) generated from fuel consumption. The Group's GHG emissions are mainly from indirect emissions (Scope 2 and Scope 3), with the main sources of emissions being electricity use during operations and waste paper disposed of in landfills.

CO_2 Emission (Tonnes)	**2023**	2022
Scope 1: GHG emission from mobile combustion	**0 tonnes**	0 tonnes
Scope 2: Energy Indirect Emissions	**9,881 tonnes**	7,459 tonnes
Scope 3: Other Indirect Emissions	**42 tonnes**	19 tonnes
Total greenhouse gas emission from scope 1 to 3	**9,923**	7,478
Carbon Intensity (tCO_2 per employee)[1]	**27tCO_2**	28tCO_2

Note:

1. *As at 31 December 2023, the Group has a total of 366 employees (as at 31 December 2022: 268 employees) in Hong Kong and Japan, which will be used to calculate other intensity data.*

Indirect emission is mainly from paper usage in offices and senior management's air travel. It amounted to 42 tonnes CO_2 for FY2023 (2022: 19 tonnes CO_2). Indirect emission increased as the senior management started travel after releasing of cross borders travel restriction by most countries due to the outbreak of COVID-19, mainly the PRC and Japan.

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 2,593 kg for 2023 (2022: 2,978 kg) with non-hazardous waste intensity of 7.1 kg per employee.

A2. Use of Resources

Electricity consumption and water consumption were mainly attributable to our hospitality business. For 2023, total energy consumption was 17,370,000 kWh (2022: 15,707,000 kWh) with energy intensity of 47,459 kWh per employee.

The water usage was 241,882 cubic metre (2022: 171,674 cubic metre), with water consumption intensity of 661 cubic meters per total number of employee. Given the recovery of the tourism industry in Japan, the increase in water usage is mainly attributable to the hospitality business in Japan.

For distribution business, most of the goods were delivered to our resellers at original packaging. No material additional packaging materials were required.

Air conditioners, computers and office lights are switched off during non-business hours, to minimize light pollution and reduce energy consumption.

A3. The Environment and Natural Resources

Creating a green workplace is an essential step towards reducing our environmental impact and promoting sustainability. One of the keyways to achieve this is by encouraging the reduction, reuse, and recycling of materials to minimize wastage in daily operations. This can be achieved through various initiatives such as energy-saving measures, proper waste disposal, and electronic document handling.

In our iconic building in Japan, we have installed an energy system to save energy and reduce greenhouse emissions. This initiative not only helps in minimizing our environmental footprint but also sets an example for other organizations to follow suit. Additionally, in Hong Kong and Japan, we have provided recycling bins at our offices for waste paper and used toner cartridges, which are collected for recycling. This not only reduces the amount of waste going to landfills but also promotes a circular economy by reusing materials.

Furthermore, we encourage our employees to handle documents electronically, reducing the need for paper usage. When the use of paper is unavoidable, we require double-sided printing to minimize paper consumption. Additionally, we reduce in-person meetings by arranging conference calls or video conferences whenever possible. This not only saves time and resources but also reduces the carbon footprint associated with travel.

Moreover, our commitment to sustainability extends to our products, including mobile phones, tablets, monitors, and laptops, which are covered under the Producer Responsibility Scheme (PRS) on waste electrical and electronic equipment (WEEE) in Hong Kong. As a distributor or reseller, we are required to provide a free removal service for customers to dispose of their old equipment when purchasing new ones. We also provide recycling labels and receipts containing prescribed wording on recycling levies to promote proper disposal and recycling of electronic equipment.

In addition to these initiatives, we have ensured compliance with relevant statutory requirements when selling REE, demonstrating our commitment to responsible and sustainable business practices. By adhering to these guidelines, we can contribute to the proper disposal and recycling of electronic equipment, reducing the environmental impact of e-waste.

SOCIAL

B1. Employment and Labour Practices

Employment, Remuneration and Benefits, Recruitment and promotion

The Group is always complying with the labour regulations and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund in respective jurisdiction. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs. As at 31 December 2023, the Group had a total of 366 (2022: 268) permanent staffs. 60% and 40% (2022: 55% and 43%) are located in Japan and Hong Kong respectively. To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions to ensure they are competitive under volatile and severe market. To create incentives for directors and senior staffs to work with commitment toward enhancing the value of the Group and its shareholders, the Company adopted share option scheme and grant share options to eligible staffs of the Group.

Environmental, Social and Governance Report

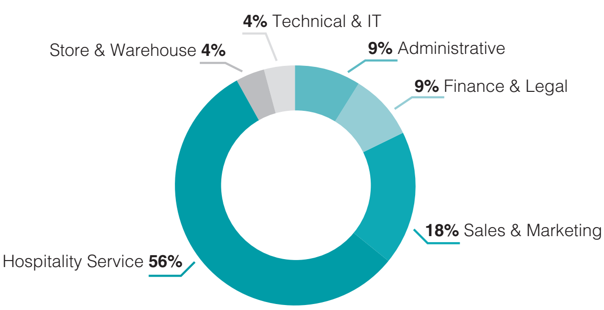
Workforce by gender and location:

	Hong Kong	Japan	FY2023 Total	FY2022 Total
Male	48%	45%	46%	50%
Female	52%	55%	54%	50%

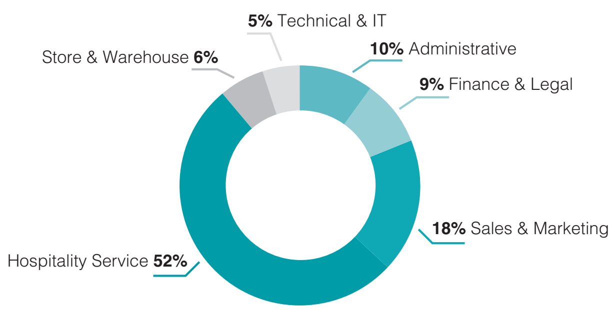
Workforce by age group and location:

	Hong Kong	Japan	FY2023 Total	FY2022 Total
below 30	29	59	88	59
31–50	88	92	180	134
Over 50	30	68	98	75
Total	147	219	366	268

Workforce by function in FY2023



Workforce by function in FY2022



Turnover rate[2] by age group and gender in FY2023:

Age/Gender	Male	Female	Total
Below 30	58.8%	79.1%	70.7%
30 to 50	15.3%	17.2%	16.4%
Over 50	26.1%	9.1%	17.8%

Note:

2. *Calculation method of turnover rate: number of employees lost during the year ÷ (number of employees at the beginning of the year + number of employees at the end of the year)/2* 100%*

Diversity and Equal Opportunities

The diversity of our employees provides us with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. At a senior management level, our board diversity policy guides the Group's approach to selection of candidates taking into account an extensive range of characteristics, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

B2. Health and Safety

In the Employees Code of Conduct, the Group has required employees to actively cooperate with various safety and hygiene measures implemented by the Group, and has implemented the following measures to ensure the health and safety of employees:

- Check the office area carefully before leaving, turn off the unnecessary power, close the doors and windows and eliminate dangers;
- Keep the workplaces with good ventilation;
- Keep the workplaces clean and tidy;
- Avoid overcrowded workplaces;
- Keep basic first aid equipment in the office;
- Report immediately to the relevant people and handle properly when there is an accident; and
- Propose adjustment plans to avoid the similar incidents, etc.

The Group provided a safe and healthy environment in the work places for all staffs. During the Reporting Period, No products sold/shipped recall due to health concerns/complaints were received (2022: No products sold/shipped recall due to health concerns/complaints). Air purifiers were placed in workplace to improve air circulation.

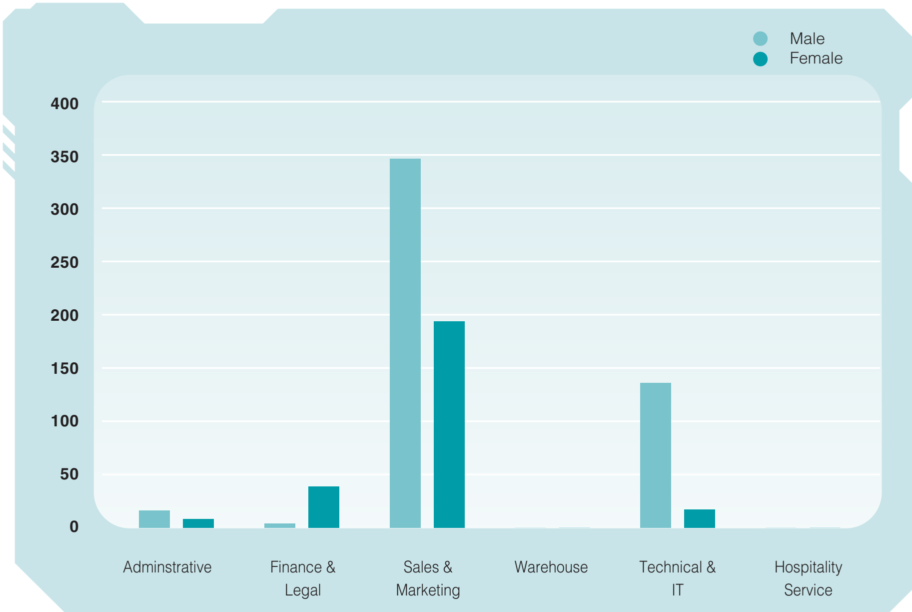
For each of the past three years including the reporting year, the Group has no major safety and work-related accidents and lost working days due to work-related injuries, nor has it paid claims or compensation to its employees due to such incidents.

B3. Development and Training

As a distributor of renowned brands mobile phones, IT and related products in Hong Kong, our sales force and technical staffs processes broad knowledge of mobile phones and IT in order to provide the best services to our resellers. We work closely with suppliers to keep our sales teams updated on the latest technology and features of new products before product launches. Technical staff attended trainings provided by suppliers and obtained relevant certificates. The Group understands training and development is one of the keys to success. We offer both internal and external training to our key staffs. In daily operations, the Group provides induction training for new employees. Experienced employees will act as mentors to guide the new comers on jobs.

The Group believes that planned trainings can directly enhance the competitiveness of the employees. We listen to the opinions and needs of our employees, and standardise targeted internal training opportunities to each employee in order to construct an enterprise that is full of developmental opportunities. The Group has established a policy, stipulating that the Group will provide employees with appropriate on-the-job training to improve their existing job performance and promotion opportunities. During the Reporting Period, about 21%[3] employees of the Group participated in training related to career development, with an average training time per employee of approximately 2.1 hours[4].

Total training hours by gender and function for FY2023



Note:

3. *Percentage of total employees trained: Number of employees trained during the year ÷ Total employees at the end of the year*100%.*

4. *Average training hours per employee: Total training hours of employees during the year ÷ Number of employees at the end of the year.*

Environmental, Social and Governance Report

The average training hours and the percentage of employees trained by gender and employee category of the Group in 2023 are summarised as follows:

	Average training hours[4]	Percentage of employee trained[5]
By gender		
Male	3	28%
Female	1	15%
By employee category		
Administrative	1	39%
Finance & Legal	1	26%
Sales and Marketing	8	70%
Store & Warehouse	0	0%
Technical & IT	10	63%
Hospitality service	0	0%

B4. Labour Standards

The Group has complied with relevant labour regulations, government regulations in Hong Kong and Japan. The Group does not employ staffs who are below 18 years of age. The Group demonstrates a steadfast commitment to compliance with labor regulations and governmental mandates across its operations in Hong Kong and Japan. In Hong Kong, the Group ensures adherence to minimum age requirements, minimum wage standards, and timely payment practices, including contributions to the Mandatory Provident Fund Scheme. In Japan, the Group strictly complies with labor laws concerning minimum age, minimum wage, and timely salary payments. These measures reflect the Group's dedication to ethical employment practices and the well-being of its workforce across diverse jurisdictions.

During recruitment process, verification of applicant's identity information is required and recruitment of child labour is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience would not be employed. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in its operating jurisdiction and also prohibits forced labour.

Note:

5. *Percentage of employees trained: Number of employees trained during the year ÷ Total employees at the end of the year*100%.*

B5. Supply chain management

Sound supply chain management ensures the Group to sustain its business operations and development. As well as leveraging our extensive network of information technology distribution, we have maintained strong relationships with our suppliers. When selecting suppliers, the Group takes factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance. The Group expects suppliers to observe the environmental, social, health and safety and governance considerations in their operations.

For mobile phone and IT products distribution business, we mainly procured over 50 (2022: over 50) internationally renowned brands from our suppliers. 80% (2022: 73%) of finished goods were supplied from Hong Kong. The remaining were supplied from Mainland China, USA and Europe.

For hospitality business, our hotel operators leverage years of experience and expertise in the hospitality sector to cultivate strong partnerships throughout the supply chain. This includes collaborative endeavors with:

Property Asset Managers: We maintain close collaborations with experienced property asset managers to optimize the utilization of our assets, streamline maintenance processes, and enhance the overall guest experience. Through proactive communication and strategic alignment, we ensure that our properties are managed efficiently, contributing to sustainable operations and value creation.

Lenders and Financial Institutions: Our relationships with lenders and financial institutions are instrumental in facilitating access to capital for strategic investments and operational initiatives. By engaging with reputable financial partners, we mitigate financial risks and uphold transparency and accountability in our financial dealings.

Accounting and Tax Advisors: We engage reputable accounting and tax advisors to ensure compliance with regulatory requirements, optimize tax efficiencies, and uphold the highest standards of corporate governance. Through proactive financial management and adherence to industry best practices, we mitigate risks associated with financial reporting and taxation, fostering investor confidence and long-term sustainability.

B6. Product responsibility

The marketing of information technology, mobility and related products to general public are usually devised by suppliers and the Group is also providing marketing services to our suppliers. During holidays and festivals, we work with our suppliers to offer products at promotional prices through print and media advertising campaigns.

Suppliers provide warranty on the products they supplied to the Group for distribution. Suppliers are responsible for providing or procuring the provision of in-warranty service to the end users. Generally the warranty provided by the suppliers has a term from one to three years. The Group also adopts following quality control policies on the products to be sold:

- Inventory management team performs a series of inspection upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and
- If any defects are identified, the relevant product will be returned to the supplier for replacement.

End users safety is always in the top priority. The Group takes speedy action together with our suppliers for any quality issues at all time.

The Group is committed to abide by the laws and regulations in relation to intellectual property protection. During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products that we were distributed in 2023.

The Group is also committed to abide by the Personal Data (Privacy) Ordinance. Personal data shall be highly protected. Privacy policy and personal information collection statements in our websites demonstrate a commitment to safeguarding each personal data privacy. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

B7: Anti-corruption

In our comprehensive and diligently crafted Code of Conduct and Whistle-blowing Policy, we have meticulously outlined the Group's unwavering stance regarding matters concerning conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery, corruption, and non-competition. It serves as the beacon of ethical guidelines that all employees are mandated to strictly adhere to.

The Company will constantly keep itself updated with the regulations in relation to the prevention of commercial bribery, money laundering, fraud and extortion. It will also enhance education to all staff of the Company in this regard in order to forbid different kinds of commercial misbehaviour. During the Reporting Period, the Company has distributed guidelines and policies on anti-corruption to each new employee and required them to read and sign to acknowledge that they have received them.

By combining the framework of our Code of Conduct and Whistle-blowing Policy with the enlightening seminars, we strive to foster a workplace environment that upholds the highest ethical values and principles. This concerted effort underscores our unwavering commitment to conduct business in a professional, just, and transparent manner, resonating with our core philosophy that guides our every action.

During the Reporting Period, there were no incidents of corruption reported within the Group (2022: nil).

B8: Community

We contribute to the community to show our deep care and awareness of the society. The physical health, mental health and the need of labour are the focused topics of the Group. We also encourage our employees to take part in volunteering activities to build a closer connection with different community groups.

In view of the work force and size of the Group, serving the community by way of cash and in-kind donations are considered most direct and effective.

In 2023, donation of HK$100,000 (2022: HK$9,000) was made to charitable organization in Hong Kong and Japan.

Directors' Profiles

EXECUTIVE DIRECTORS

LIM Kia Hong, aged 67, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of most dynamic business groups involving in distribution, ventures, investments and real estate businesses, Mr. Lim is involved in all phases of SiS Group's developments, he is responsible for the corporate planning, development and public relations of the Group.

Mr. Lim is also the chairman and non-executive director of SiS Mobile Holdings Limited ("SiS Mobile"), a company whose shares are listed on Stock Exchange on 15 January 2015. Since 2004, he has also been a non-executive director of SiS Distribution (Thailand) Public Company Limited ("SiS Thai"), a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of IT Consultants PLC ("ITCL"), a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2023.

LIM Kiah Meng, aged 70, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, joined the Group in 1986. He has over thirty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Singapore and Japan. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking.

Mr. Lim is also an executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2013, he has also been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2023.

LIM Hwee Hai, aged 74, the spouse of Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Kia Hong and Mr. Lim Kiah Meng, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has forty years' experience in the I.T. industry and is responsible for the Group's operations in Thailand and the Asia-Pacific region.

Mr. Lim is also a non-executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2004, he has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. During September 2013 to May 2018, Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2023.

Directors' Profiles

LIM Hwee Noi, aged 73, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. Madam Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. Since December 2017, she has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. She is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MA Shiu Sun Michael, aged 55, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over twenty years and is practicing as a partner and notary public in a Hong Kong law firm in the areas of commercial and corporate matters.

NG See Wai Rowena, aged 61, joined the Group in 2023, and has over twenty years of experience in corporate finance and investment banking. From July 1999 to May 2001, Ms. Ng served as an executive director of Lai Fung Holdings Limited, a company listed in Hong Kong. From June 2001 to April 2004, Ms. Ng worked at BOCI Asia Limited where she served as a managing director of the corporate finance department. From May 2004 to January 2007, Ms. Ng acted as a director in Cazenove Asia Limited, responsible for deal origination and transaction execution. From August 2011 to December 2013, Ms. Ng served as an executive director and deputy CEO of China Nickel Resources Holdings Co., Ltd., a company listed in Hong Kong. From February 2014 to February 2015, Ms. Ng was an independent non-executive director of Greater China Professional Services Ltd., a company listed in Hong Kong. From August 2015 to February 2023, Ms. Ng was a managing director and the head of Financial Solution Specialists Team of BOCI Asia Limited. She was an independent non-executive director of SiS Mobile Holdings Limited from 16 December 2014 to 31 December 2022.

Ms. Ng has been an ordinary member of the Hong Kong Securities and Investment Institute since 1999. She obtained a bachelor's degree in science from the Victoria University of Manchester, U.K. in July 1984 and a master's degree in Investment & Finance from the University of Hull, U.K. in July 1998.

TAN Song Ping, aged 66, joined the Group in 2023, and has more than thirty years' experience in the audit profession and was a partner at Deloitte Touche Tohmatsu. Ms. Tan joined Deloitte in 1992 as a manager and was promoted to partner in 1997. During her time with Deloitte as a Partner, Ms. Tan was responsible for the audit of various listed companies in Hong Kong engaging in real estates, retail and IT related industries. She left Deloitte in December 2014. Ms. Tan graduated from London School of Economics and Political Science, University of London, United Kingdom with a Bachelor of Science (Economics). She is a member of The Institute of Chartered Accountants in England and Wales as well as a fellow member of the Hong Kong institute of Certified Public Accountants.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries and associates are set out in notes 45 and 19 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 54.

The Board now recommends the payment of final dividend of 2.0 HK cents per share to the shareholders on the register of members on 4 July 2024, amounting to totally HK$5,559,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out on pages 6 to 10 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 159. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$2,558,000 and HK$15,107,000 on acquisition of investment properties and property, plant and equipment respectively, and disposal an investment property with carrying value of HK$134,706,000.

The Group has revalued all its investment properties at the year ended date. The loss from change in fair value amounted to HK$47,074,000, which had been debited to the consolidated statement of profit or loss directly.

Particulars of investment properties and properties held for hotel operation of the Group at 31 December 2023 are set out on pages 160 to 164.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 15 and 16 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2023 were as follows:

	2023 **HK$'000**	2022 HK$'000
Contributed surplus	**29,186**	29,186
Retained profits	**1,047,336**	985,996
	1,076,522	1,015,182

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIVIDEND POLICY

The Board of the Company may declare and distribute dividends to the shareholders of the Company, provided that the Company records a profit and that the declaration and distribution of dividends do not affect the normal operations of the Company and its subsidiaries (the "Group"). The Board may, subject to the Company's Bye-Laws, make recommendation to the shareholders on the distribution of final dividends and may from time to time pay to the shareholders interim dividends based on the financial position of the Company. The Company's ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then consider relevant, and the interest of the shareholders and the Company as a whole.

DIRECTORS

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

Executive directors:

Mr. Lim Kia Hong
Mr. Lim Kiah Meng
Mr. Lim Hwee Hai
Madam Lim Hwee Noi

Independent non-executive directors:

Mr. Ma Shiu Sun Michael
Ms. Ng See Wai Rowena (appointed on 31 March 2023)
Ms. Tan Song Ping (appointed on 17 August 2023)
Ms. Ong Wui Leng (resigned on 7 June 2023)

In accordance with the provisions of the Company's Bye-Laws 99(B), Mr. Lim Kiah Meng will retire by rotation and, being eligible, offer himself for re-election. In accordance with the provisions of the Company's Bye-Laws 91, Ms. Tan Song Ping is newly appointed director and she will retire and eligible for re-election in the coming annual general meeting in 2024.

Mr. Ma Shiu Sun Michael is appointed as an independent non-executive director for an additional period of three years to 31 March 2027. Ms. Ng See Wai Rowena is appointed as an independent non-executive director for a period of two years from 31 March 2023 to 31 March 2025. Ms. Tan Song Ping is appointed as an independent non-executive director for a period of two years from 17 August 2023 to 17 August 2025. All independent non-executive directors are also subject to the retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-Laws and subject to the provisions of and so far as may be permitted by the Companies' Act of Bermuda, every Director, auditor, secretary or other officer of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceeding, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any law for relief from liability in respect of any such act or omission in which relief is granted to him by any court of competent jurisdiction.

The Company has put in place appropriate insurance cover in respect of Directors and officers' liability throughout the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2023, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in ordinary shares of HK$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests *(Note 1)*	Corporate Interests *(Note 2)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong	6,933,108	400,000	–	178,640,000	185,973,108	66.90%
Lim Kiah Meng	5,403,200	250,000	534,000	178,640,000	184,827,200	66.49%
Lim Hwee Hai *(Note 3)*	4,541,200	4,751,158	–	–	9,292,358	3.34%
Lim Hwee Noi *(Note 3)*	4,751,158	4,541,200	–	–	9,292,358	3.34%

Notes:

(1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.

(2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 41.33% and 40.30%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

(3) 4,541,200 shares and 4,751,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

(ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

(iii) Long positions in the shares and underlying shares of subsidiaries of the Company

(a) Ordinary share of HK$0.10 each of SiS Mobile Holdings Limited ("SiS Mobile"), which is listed on the Main Board of the HKEX (Stock Code: 1362)

Name of Director	Personal interests	Family interests	Joint interests *(Note 1)*	Corporate Interests *(Note 2 and 3)*	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS Mobile
Lim Kia Hong	1,846,754	128,000	–	203,607,467	205,582,221	73.42%
Lim Kiah Meng	1,729,024	80,000	170,880	203,607,467	205,587,371	73.42%
Lim Hwee Hai *(Note 4)*	1,065,984	1,145,330	–	–	2,211,314	0.79%
Lim Hwee Noi *(Note 4)*	1,145,330	1,065,984	–	–	2,211,314	0.79%

Notes:

(1) Shares are jointly held by Mr. Lim Kiah Meng and his spouse.

(2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.50% by Gold Sceptre Limited.

(3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 41.33% and 40.30%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

(4) 1,065,984 shares and 1,145,330 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

Directors' Report

(b) Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS Thai"), which is listed in the Stock Exchange of Thailand

Name of Director	Personal interests	Corporate Interests *(Note)*	Total number of issued ordinary shares held in SiS Thai	Approximate% of issued share capital of SiS Thai
Lim Kia Hong	241,875	214,510,470	214,752,345	60.84%

Note:

The Company indirectly holds 214,510,470 ordinary shares of the issued capital of SiS Thai. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.90% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thai under the SFO.

(iv) Share options of SiS Mobile, a subsidiary of the Company

On 16 December 2014 by written resolution, SiS Mobile adopted a share option scheme ("Scheme") pursuant to which selected participants may be granted options to subscribe for shares as incentive or rewards for their service rendered to the SiS Mobile group and any entity in which any member of the group holds any equity interest.

The purpose of the Scheme is to provide an incentive for any director, employee and qualified participant to work with commitment towards enhancing the value of SiS Mobile and its shares for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of the group. Directors believe that Scheme adopted by SiS Mobile enables the group to recruit and retain high caliber executives and employees.

The terms of the Scheme comply with the provisions of Chapter 17 of the Listing Rules.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of SiS Mobile in issue at the date when the Scheme was adopted. SiS Mobile may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of SiS Mobile in issue at any point in time, without prior approval from its shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of SiS Mobile's share capital or with a value in excess of HK$5 million must be approved in advance by its shareholders.

Options granted must be taken up within thirty business days from the offer letter together with a payment of HK$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of SiS Mobile, and will not be less than the higher of the closing price of its shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 1 January 2023	Lapsed during 2023	Outstanding at 31 December 2023
Directors and their associates:						
Lim Kia Hong						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000	(400,000)	–
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000	(400,000)	–
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000	(400,000)	–
Lim Kiah Meng						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000	(400,000)	–
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000	(400,000)	–
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000	(400,000)	–
Lim Hwee Hai						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000	(400,000)	–
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000	(400,000)	–
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000	(400,000)	–
Lim Hwee Noi						
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	200,000	(200,000)	–
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	200,000	(200,000)	–
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	200,000	(200,000)	–
				4,200,000	(4,200,000)	–

(v) Long positions in the shares and underlying shares of an associated corporation of the Company

Ordinary share of 10 Taka each of IT Consultants PLC. ("ITCL"), which is incorporated in Bangladesh, and is listed in The Dhaka Stock Exchange and The Chittagong Stock Exchange.

Name of Director	**Corporate Interests** *(Note)*	**Approximate % of issued share capital of ITCL**
Lim Kiah Meng	59,210,840	46.05%

Note:

A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 10,863,862 ordinary shares in ITCL, while the Company indirectly holds 48,346,978 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.49% in the Company, therefore Mr. Lim has deemed corporate interest of 48,346,978 in ITCL under the SFO.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2023.

SHARE OPTIONS

A new share option scheme was adopted by the Company on 26 May 2017 (the "New Scheme"), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the "Old Scheme"). The Old Scheme and New Scheme are collectively referred as SiS International Share Option Scheme (the "SiS International Share Option Scheme"). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the New Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Directors' Report

Options granted must be taken up within ten business days from the offer letter together with a payment of HK$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The following table discloses movements in the Company's share options during the year:

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding number of share options at 1 January 2023	Lapsed during 2023	Outstanding number of share options at 31 December 2023
Directors and their associates:						
Lim Kia Hong						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000	–	50,000
Lim Kiah Meng						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000	–	50,000
Lim Hwee Hai						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000	–	50,000
Lim Hwee Noi						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000	–	50,000

Directors' Report

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding number of share options at 1 January 2023	Lapsed during 2023	Outstanding number of share options at 31 December 2023
Directors and their associates: (continued)						
Lee Hiok Chuan						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000	(40,000)	–
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000	(40,000)	–
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000	(40,000)	–
Ong Wui Leng						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000	(40,000)	–
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000	(40,000)	–
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000	(40,000)	–
Ma Shiu Sun Michael						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000	–	50,000
Total directors and their associates				990,000	(240,000)	750,000
Employees and other qualified persons:						
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	420,000	–	420,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	420,000	–	420,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	420,000	–	420,000
Total employees and other qualified persons				1,260,000	–	1,260,000
Total number of share options				2,250,000	(240,000)	2,010,000

No share options were granted, exercised or forfeited during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

During the year 2023, two subsidiaries of the Company borrowed short-term unsecured loans of totally HK$30,000,000 from a connected party at interest rate of 5.50% per annum. Directors Messrs. Lim Kia Hong, Lim Kiah Meng and his spouse have total 80% equity interest in the entity. The interest rate was reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest expense of total HK$30,089,000 were fully repaid during the year. This transaction constitutes a connected transaction as defined in Chapter 14A of the Listing Rules. However, the transaction is exempt from announcement requirement and shareholders' approval as it was fully exempt financial assistance received by the Group under Listing Rule 14A.90.

Other than disclosed above, no transaction, arrangement and/or contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

Long positions in ordinary shares of HK$0.10 each of the Company

Name of Shareholder	Personal interests	Family Interests *(Note 1)*	Corporate interests *(Note 2)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	1,248,000	1,220,000	12,146,000	14,614,000	5.26%
Lim Mee Hwa	1,220,000	1,248,000	12,146,000	14,614,000	5.26%

Notes:

(1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.

(2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in a corporation which holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was 18% of the Group's total revenue during the year, and the largest customers accounted for 5%. The five largest suppliers of the Group comprised approximately 41% by value of the Group's total purchases during the year, with the largest supplier accounted for 11%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in September 2005.

The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 37 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable cash and donations amounting to total HK$109,000.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix C1 of the Listing Rules throughout the year ended 31 December 2023, except for the Code B.2.2 and C.2.1 as disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix C3 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

The Company has complied with relevant laws and regulations that have significant impact on the Company including the laws in Bermuda, the Hong Kong Companies Ordinance, SFO, and the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2023.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
SiS International Holdings Limited

LIM Kiah Meng
DIRECTOR

Hong Kong, 25 March 2024

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 158, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair values. The investment properties are located in Hong Kong, Japan, Singapore and Thailand with carrying amounts of HK$3,376,893,000 as at 31 December 2023 and represent approximately 39% of total assets of the Group as at 31 December 2023. Net loss from changes in fair value of the investment properties of HK$47,074,000 was recognised in the consolidated statement of profit or loss for the year then ended. As disclosed in note 15 to the consolidated financial statements, the Group's investment properties are held at fair value based on the valuations performed by independent qualified professional valuers (the "Valuers"). The valuations of investment properties are dependent on certain key inputs that require significant judgements and estimates, including market unit rate and capitalisation rate.	Our procedures in relation to valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement; • Assessing the reasonableness of the valuation techniques used by the Valuers based on the relevant accounting requirements and industry norms; • Evaluating the reasonableness of the key inputs, including market unit rate and capitalisation rate adopted by the Valuers by comparing the key inputs to relevant market data based on our knowledge of the property markets; and • Assessing the accuracy of the rental income provided by the management to the Valuers by agreeing the rental income to the respective underlying tenancy agreements or comparing to historical records, on a sampling basis.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from sales of goods	
We identified revenue recognition from sales of goods as a key audit matter due to its significance to the consolidated financial statements as a whole. The Group's revenue for the year ended 31 December 2023 in respect of sales of goods amounted to approximately HK$8,757,455,000. As disclosed in note 5 to the consolidated financial statements, for sales of goods (including mobile phones and IT products), revenue is recognised when control of the goods has transferred. We focused on this area because the Group transacts with a large volume of transactions.	Our procedures in relation to revenue recognition from sales of goods included: • Obtaining an understanding of the revenue recognition processes and testing the Group's key controls over revenue recognition; • Inspecting sales contracts with key customers, on a sample basis, to understand the agreed trade terms and assess whether the related revenue was properly recognised in accordance with respective sales contracts and with reference to the requirements of the prevailing accounting standards; and • Testing recorded sales transactions on a sample basis against corresponding goods delivery notes and acceptance confirmations from customers that evidenced control of the goods had been passed.
Write-down for inventories	
We identified assessment of write-down of inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on the ageing, conditions and marketability of the inventories. NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write-off or write-down inventories to their NRVs. As disclosed in the consolidated statement of financial position and note 23 to the consolidated financial statements, the carrying amount of inventories is HK$829,964,000 as at 31 December 2023. During the year ended 31 December 2023, write-down of inventories of HK$31,032,000 was recognised in the consolidated statement of profit or loss for the year then ended.	Our procedures in relation to assessing the write-down for inventories included: • Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management; • Testing the accuracy of the ageing of the inventories listed in the system generated report to the goods receipt notes on a sampling basis; • Discussing with the management on the basis of determining the NRV and evaluate and assess the condition and marketability of the inventories, on a sampling basis; and • Assessing the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2024

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	5	**9,067,962**	9,227,729
Cost of sales		**(8,399,374)**	(8,609,309)
Gross profit		**668,588**	618,420
Other income	7	**43,619**	31,430
Other gains and losses, net	8	**(48,481)**	(26,666)
Selling and distribution expenses		**(239,774)**	(205,741)
Administrative expenses		**(183,065)**	(138,699)
Gain (loss) from changes in fair value of financial instruments at fair value through profit or loss ("FVTPL")		**126,517**	(46,451)
Net (loss) gain from changes in fair value of investment properties	15	**(47,074)**	21,232
Impairment loss under expected credit loss model, net of reversal		**(11,737)**	(23,401)
Share of results of associates		**9,699**	5,717
Finance costs	9	**(78,971)**	(56,960)
Profit before tax		**239,321**	178,881
Income tax expense	10	**(78,909)**	(68,026)
Profit for the year	11	**160,412**	110,855
Profit for the year attributable to:			
Owners of the Company		**88,719**	44,460
Non-controlling interests		**71,693**	66,395
		160,412	110,855
		HK Cents	HK Cents
Earnings per share	14		
Basic		**31.9**	16.0
Diluted		**31.9**	16.0

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	**160,412**	110,855
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income ("FVTOCI")	**(9,379)**	13,272
Adjustment on actuarial assumptions on retirement benefits obligations	**2,750**	2,809
	(6,629)	16,081
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
— Subsidiaries	**(12,482)**	(71,179)
— Associates	**(3,838)**	(13,588)
	(16,320)	(84,767)
Other comprehensive expense for the year	**(22,949)**	(68,686)
Total comprehensive income for the year	**137,463**	42,169
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**60,601**	(7,625)
Non-controlling interests	**76,862**	49,794
	137,463	42,169

Consolidated Statement of Financial Position

AT 31 DECEMBER 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current Assets			
Investment properties	15	**3,376,893**	3,764,871
Property, plant and equipment	16	**643,893**	673,004
Right-of-use assets	17	**38,823**	29,310
Goodwill	18	**126,406**	126,406
Interests in associates	19	**97,158**	94,788
Financial instruments at fair value through profit or loss ("FVTPL")	20	**330,571**	188,412
Equity instruments at FVTOCI	21	**38,367**	47,296
Deferred tax assets	34	**88,864**	80,753
Other financial assets	22	**4,265**	4,577
Other assets		**2,500**	2,500
Trade receivables	24	**46,614**	—
		4,794,354	5,011,917
Current Assets			
Inventories	23	**829,964**	1,062,338
Trade and other receivables, deposits and prepayments	24	**1,600,744**	1,504,190
Amount due from an associate	25	**276**	292
Tax recoverable		**3,718**	5,193
Financial instruments at FVTPL	20	**87,890**	86,419
Pledged deposits	26	**323,234**	308,016
Cash and cash equivalents	26	**961,129**	862,086
		3,806,955	3,828,534
Current Liabilities			
Trade payables, other payables and accruals	27	**1,018,635**	929,323
Contract liabilities	28	**14,956**	17,480
Lease liabilities	29	**19,079**	15,651
Advance lease payments		**1,253**	1,482
Amount due to an associate	25	**20**	19
Derivative financial instruments	30	**3,600**	11,817
Tax payable		**31,243**	24,483
Bank borrowings	31	**2,394,193**	2,549,538
Bonds	32	**36,532**	59,586
Rental deposits	33	**11,660**	12,835
		3,531,171	3,622,214
Net Current Assets		**275,784**	206,320
Total Assets less Current Liabilities		**5,070,138**	5,218,237

Consolidated Statement of Financial Position

AT 31 DECEMBER 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current Liabilities			
Lease liabilities	29	**39,500**	38,767
Advance lease payments		**19,862**	24,065
Bank borrowings	31	**628,680**	844,315
Bonds	32	**106,632**	172,097
Rental deposits	33	**73,863**	83,527
Deferred tax liabilities	34	**129,996**	111,805
Retirement benefits obligations	35	**18,969**	18,827
		1,017,502	1,293,403
Net Assets		**4,052,636**	3,924,834
Capital and Reserves			
Share capital	36	**27,797**	27,797
Share premium		**73,400**	73,400
Other reserves		**(131,372)**	(100,109)
Retained profits		**3,445,460**	3,355,559
Equity attributable to owners of the Company		**3,415,285**	3,356,647
Non-controlling interests		**637,351**	568,187
Total Equity		**4,052,636**	3,924,834

The consolidated financial statements on pages 54 to 158 were approved and authorised for issue by the Board of Directors on 25 March 2024 and are signed on its behalf by:

LIM KIA HONG
DIRECTOR

LIM KIAH MENG
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to the owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000 *(Note 1)*	Share options reserve HK$'000	Other reserve HK$'000 *(Note 2)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	27,797	73,400	(42,924)	(43,046)	933	2,860	3,695	38,499	3,300,943	3,362,157	536,753	3,898,910
Profit for the year	–	–	–	–	–	–	–	–	44,460	44,460	66,395	110,855
Other comprehensive income (expense) for the year	–	–	13,540	(68,434)	–	–	–	–	2,809	(52,085)	(16,601)	(68,686)
Total comprehensive income (expense) for the year	–	–	13,540	(68,434)	–	–	–	–	47,269	(7,625)	49,794	42,169
Acquisition of interest in a subsidiary *(Note 2)*	–	–	–	37	–	–	–	7,637	–	7,674	(57,246)	(49,572)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	78,959	78,959
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(40,073)	(40,073)
Dividend recognised as distribution *(Note 13)*	–	–	–	–	–	–	–	–	(5,559)	(5,559)	–	(5,559)
Reclassification upon disposal of equity instruments at FVTOCI	–	–	(12,906)	–	–	–	–	–	12,906	–	–	–
At 31 December 2022	**27,797**	**73,400**	**(42,290)**	**(111,443)**	**933**	**2,860**	**3,695**	**46,136**	**3,355,559**	**3,356,647**	**568,187**	**3,924,834**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**88,719**	**88,719**	**71,693**	**160,412**
Other comprehensive (expense) income for the year	**–**	**–**	**(10,019)**	**(20,848)**	**–**	**–**	**–**	**–**	**2,749**	**(28,118)**	**5,169**	**(22,949)**
Total comprehensive (expense) income for the year	**–**	**–**	**(10,019)**	**(20,848)**	**–**	**–**	**–**	**–**	**91,468**	**60,601**	**76,862**	**137,463**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35,205**	**35,205**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,307)**	**(39,307)**
Dividend recognised as distribution *(Note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,559)**	**(5,559)**	**–**	**(5,559)**
Transfer upon lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(396)**	**–**	**3,992**	**3,596**	**(3,596)**	**–**
At 31 December 2023	**27,797**	**73,400**	**(52,309)**	**(132,291)**	**933**	**2,860**	**3,299**	**46,136**	**3,445,460**	**3,415,285**	**637,351**	**4,052,636**

Notes:

1. *Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.*

2. *Other reserve represents a) the difference between the fair value of the consideration (net of transaction costs) and the carrying amount of the reduction in the Company's interest in SiS Mobile Holdings Limited ("SiS Mobile"), arising from the listing of SiS Mobile's shares on The Stock Exchange of Hong Kong Limited on 15 January 2015, amounted to a debit of HK$17,558,000, b) the difference by which the non-controlling interests were adjusted and the consideration (net of transaction costs and capital gain tax) in relation to the disposal of partial interest of the Company's interest in SiS Distribution (Thailand) Public Company Limited ("SiS Thai"), whose shares are listed on The Stock Exchange of Thailand, amounted to a credit of HK$56,057,000. On 25 June 2021, the Group disposed 10,000,000 ordinary shares of SiS Thai, its non-wholly owned subsidiary, to independent third parties, at a consideration of HK$89,583,000. The percentage of shareholding in such subsidiary decreased from 63.5% to 60.8% as a consequence. The difference between the consideration received (net of capital gain tax of HK$14,534,000), the non-controlling interests adjusted of HK$19,088,000 and the adjustment to translation reserve of HK$96,000 (debit), amounted to HK$56,057,000, has been credited and accumulated under "other reserve"; and c) the difference between the fair value of the consideration (net of transaction costs) and the carrying amount of the increment in the Company's interest in Tokutei Mokuteki Kaisha SSG23 on 21 December 2022, amounted to a credit of HK$7,637,000.*

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**239,321**	178,881
Adjustments for:			
Depreciation of property, plant and equipment		**35,162**	30,816
Depreciation of right-of-use assets		**14,275**	12,508
Dividend income from equity instruments at FVTOCI		**(655)**	(979)
Dividend income from financial instruments at FVTPL		**(1,568)**	(872)
Finance costs		**78,971**	56,960
Loss (gain) from changes in fair value of investment properties		**47,074**	(21,232)
Gain on disposal of property, plant and equipment		**(51)**	(33)
(Gain) loss from changes in fair value of derivative financial instruments		**(8,212)**	12,090
(Gain) loss from changes in fair value of financial instruments at FVTPL		**(126,517)**	46,451
Impairment losses under expected credit loss model, net of reversal		**11,737**	23,401
Interest income		**(26,782)**	(7,493)
Reversal of provision for retirement benefits obligations	35	**(24)**	(883)
Share of results of associates		**(9,699)**	(5,717)
Write-down of inventories		**31,032**	10,711
Operating cash flows before movements in working capital		**284,064**	334,609
Decrease in inventories		**252,223**	242,080
Decrease in amounts due from (to) associates		**–**	126
(Increase) decrease in trade and other receivables, deposits and prepayments		**(146,429)**	19,860
Decrease in rental deposits and advance lease payment		**(6,010)**	(4,942)
Increase (decrease) in trade payables, other payables and accruals		**82,079**	(213,036)
(Decrease) increase in contract liabilities		**(2,524)**	4,475
CASH GENERATED FROM OPERATIONS		**463,403**	383,172
Tax paid		**(52,963)**	(78,623)
NET CASH FROM OPERATING ACTIVITIES		**410,440**	304,549

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES		
Acquisition of investment properties	(2,558)	(11,176)
Dividend received from an associate	3,491	2,433
Dividend received from financial instruments at FVTPL	1,568	872
Dividend received from equity instruments at FVTOCI	655	979
Interest received	26,782	7,493
Withdrawal of pledged deposits	—	32,686
Purchase of property, plant and equipment	(15,107)	(14,602)
Proceeds from disposal of property, plant and equipment	100	74
Refund of rental deposits	—	113
Purchase of financial instruments at FVTPL	(35,480)	(142,128)
Purchase of equity instruments at FVTOCI	—	(2,730)
Proceeds from disposal of financial instruments at FVTPL	16,510	33,898
Proceeds from disposal of equity instruments at FVTOCI	—	5,060
Proceeds from disposal of investment properties	134,706	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	130,667	(87,028)
FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	—	(47,539)
Dividends paid to ordinary shareholders	(5,559)	(5,559)
Dividends paid to non-controlling interests	(39,307)	(40,073)
Repayments of lease liabilities	(17,909)	(18,066)
Interest paid	(78,971)	(54,952)
Contribution from non-controlling interests	35,205	78,959
New bank borrowings raised	3,975,352	4,383,807
Repayments of bank borrowings	(4,209,972)	(4,586,006)
New bonds raised	5,685	—
Repayments of bonds	(78,399)	—
New loans raised from a related company	30,000	40,000
Repayments of loans from a related company	(30,000)	(40,000)
NET CASH USED IN FINANCING ACTIVITIES	(413,875)	(289,429)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	127,232	(71,908)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	862,086	976,510
Effect of foreign exchange rate changes	(28,189)	(42,516)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	961,129	862,086

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

SiS International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "HKEX"). Its immediate parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company with ultimate controlling shareholders are Mr. Lim Kiah Meng, Mr. Lim Kia Hong and their respective spouses. Mr. Lim Kiah Meng and Mr. Lim Kia Hong are also the directors of the Company. Both holding companies are incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the annual report.

The Company acts as an investment securities trading and investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 45.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to HKAS 8 *Definition of Accounting Estimates*

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 12 *Income Taxes International Tax Reform — Pillar Two model Rules*

The Group has applied the amendments for the first time in the current year. HKAS 12 *Income Taxes* is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The information about the Group's exposure to Pillar Two income taxes is described in note 10.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

Changes in other accounting policies

2.4 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in note 45, the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKEX and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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

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

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

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

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

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

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interests in associates may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate of the Group (such as a sale), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in notes 5 and 28.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 *Leases* or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

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

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the expected credit loss ("ECL") and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund ("MPF") Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Contributions to the MPF Scheme vest fully and immediately with the employees. Accordingly, there was no forfeited contribution under the MPF Scheme which may be used by the Group to reduce its existing level of contributions during the years ended 31 December 2023 and 2022.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until;

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Employee benefits (Continued)

Retirement benefit costs (Continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measure on a net basis. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Employee benefits (Continued)

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Borrowing costs

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

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Foreign currencies (Continued)

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The Group transfer a property from investment properties to property, plant and equipment where there is a change in use, evidenced by commencement of owner-occupation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Impairment losses on property, plant and equipment, right-of-use assets and other assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and other assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and other assets, are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and other assets other than goodwill (Continued)

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

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

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

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 26.

Inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

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

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

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, lease receivables, amount due from an associate, deposits paid, loan receivables, pledged deposits and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on trade and lease receivables are assessed collectively using a provision matrix with appropriate groupings and individually for credit impaired balances.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

(iii) Credit-impaired financial assets

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for trade and lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and lease receivables, where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses, net’ line item (note 8) as part of the exchange (loss) gain, net;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘Other gains and losses, net’ line item as part of gain (loss) from changes in fair value of financial instruments at FVTPL and (loss) gain from changes in fair value of derivative financial instruments (note 8);
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, rental deposits, amount due to an associate, bonds and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses, net' line item in profit or loss (note 8) as part of exchange (loss) gain, net for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Foreign exchange gains and losses (Continued)

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Derivative financial instruments

Derivative are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

Critical judgements in applying accounting policies

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

Deferred taxation for investment properties

For the purposes of measuring deferred tax liabilities or assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

The directors of the Company have reviewed the Group's investment properties located in Japan and concluded that these properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale except for the investment properties which the land under freehold. Such properties are presumed to be recovered entirely through sale.

The directors of the Company have also reviewed the Group's investment properties located in Hong Kong, Singapore and Thailand and concluded that the carrying amounts of these properties are to be recovered entirely through sale.

Accordingly, deferred taxation for these investment properties is measured based on the expected manner as to how the properties will be recovered.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (Continued)

Determination of consolidation of investment funds

The Group set up certain investment funds in which the Group is an investor and also the fund manager. The Group has decision-making authority and power over the relevant activities of the fund because the Group, acting as the fund manager, can decide which investments the fund should acquire or dispose of. All facts and circumstances are taken into consideration in the assessment of whether the Group, as an investor, controls the investment funds. The principle of control sets out the following three elements of control: (a) power over the investment funds; (b) exposure, or rights, to variable returns from involvement with the investment funds; and (c) the ability to use power over the investment funds to affect the amount of the investor's returns. The Group's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent. For these investment funds, the Group assesses whether (i) there are any other holders in these investment funds which have practical ability to remove the Group, and prevent the Group to direct the relevant activities of the investment funds; and (ii) the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds.

As at 31 December 2023, the directors of the Company concluded that the Group had control over these investments funds.

Key sources of estimation uncertainty

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

Net realisable value of inventories

The cost of inventories is written down to NRV when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the NRV of an item of inventory is less than the carrying amount, the excess is written off immediately in the profit or loss. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. The carrying amount of inventories is HK$829,964,000 (2022: HK$1,062,338,000). During the year ended 31 December 2023, write-down of inventories of HK$31,032,000 (2022: HK$10,711,000) was recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 15.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. As at 31 December 2023, the carrying amount of the Group's investment properties is HK$3,376,893,000 (2022: HK$3,764,871,000).

Fair value measurement of financial instruments

Certain of the Group's unquoted equity instruments amounting to HK$89,608,000 (2022: HK$12,327,000) as at 31 December 2023 are stated at fair values as determined based on valuation techniques which involves unobservable inputs.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 39(c) for further disclosures.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2023			2022		
	Distribution of mobile and IT products HK$'000	**Hotels operations HK$'000**	**Total HK$'000**	Distribution of mobile and IT products HK$'000	Hotels operations HK$'000	Total HK$'000
Types of goods or service						
Distribution of mobile and IT products						
Mobile products	**1,997,982**	**—**	**1,997,982**	3,080,408	—	3,080,408
IT products	**6,710,935**	**—**	**6,710,935**	5,881,674	—	5,881,674
	8,708,917	**—**	**8,708,917**	8,962,082	—	8,962,082
Commission income	**48,538**	**—**	**48,538**	16,205	—	16,205
Hotel Operations						
Room revenue	**—**	**108,300**	**108,300**	—	47,508	47,508
Food and beverage	**—**	**54,356**	**54,356**	—	31,810	31,810
	—	**162,656**	**162,656**	—	79,318	79,318
Revenue from contracts with customers	**8,757,455**	**162,656**	**8,920,111**	8,978,287	79,318	9,057,605
Leasing of investment properties			**147,851**			170,124
Total revenue			**9,067,962**			9,227,729
Geographical market						
Hong Kong	**2,625,286**	**—**	**2,625,286**	2,522,828	—	2,522,828
Thailand	**6,132,169**	**—**	**6,132,169**	6,455,459	—	6,455,459
Japan	**—**	**162,656**	**162,656**	—	79,318	79,318
Total before leasing of investment properties	**8,757,455**	**162,656**	**8,920,111**	8,978,287	79,318	9,057,605
Timing of revenue recognition						
At a point in time	**8,757,455**	**54,356**	**8,811,811**	8,978,287	31,810	9,010,097
Over time	**—**	**108,300**	**108,300**	—	47,508	47,508
Total before leasing of investment properties	**8,757,455**	**162,656**	**8,920,111**	8,978,287	79,318	9,057,605

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers and revenue recognition policies

Revenue from distribution of mobile and IT products

For distribution of mobile and IT products, the Group is acting as a principal as the Group and the customers control the specified good before that good is further transferred. The revenue is recognised at a point in time when control of the goods has transferred, being when (i) the goods have been picked up by the customers in warehouse; or (ii) the goods have been delivered to the customers' specific location and the Group received acceptance confirmations from customers. Upon the relevant goods are picked up by the customers or delivered to the customers' specific location, the customers have full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit period from 30 day to 90 days to certain trade customers. Sale return and warranty on defect items are borne by the suppliers. Rebate to customers are settled on monthly basis.

In addition, the Group also earned commission income from its customers for the purchase of warranty services for IT products provided by the Group's suppliers in which the Group acted as an agent. The commission income is recognised at a point of time.

Revenue from hotel operations

Revenue recognised over time under output method is a measurement of progress towards completion satisfaction of performance obligation.

Hotel room revenue is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as deposits.

For food and beverage for which the control of services is transferred at a point in time, revenue is recognised when the related services have been rendered to customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2023 and 2022, contracts with customers with unsatisfied performance obligations for the distribution of mobile and IT products and hotel operations have original expected duration of one year or less. As permitted under HKFRS 15, the aggregate amount of transaction price allocated to these unsatisfied performance obligations is not disclosed.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

5. REVENUE (CONTINUED)

(iv) Leases

	2023 HK$'000	2022 HK$'000
For operating leases:		
Lease payments	**146,381**	168,474
Variable lease payments	**1,470**	1,650
	147,851	170,124

6. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the distribution of mobile and IT products (Hong Kong and Thailand), property investment and hotel operations (Japan and other regions) and securities investment. Segment liabilities have not been presented as these are not presented to the CODM.

Segment revenue and results

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

	2023					
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Consolidated
	Hong Kong HK$'000	Thailand HK$'000	Japan HK$'000	Other regions HK$'000	HK$'000	HK$'000
Segment revenue						
— Revenue from contracts with customers	2,625,286	6,132,169	162,656	—	—	8,920,111
— Leasing of investment properties	—	—	123,697	24,154	—	147,851
External sales	2,625,286	6,132,169	286,353	24,154	—	9,067,962
Segment profit (loss)	29,999	204,225	110,919	(137,620)	128,741	336,264
Share of results of associates						9,699
Finance costs						(78,971)
Other unallocated income						22,979
Unallocated corporate expenses						(50,650)
Profit before taxation						239,321

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	2022					
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Consolidated
	Hong Kong HK$'000	Thailand HK$'000	Japan HK$'000	Other regions HK$'000	HK$'000	HK$'000
Segment revenue						
— Revenue from contracts with customers	2,522,828	6,455,459	79,318	—	—	9,057,605
— Leasing of investment properties	—	—	142,063	28,061	—	170,124
External sales	2,522,828	6,455,459	221,381	28,061	—	9,227,729
Segment profit (loss)	45,891	206,976	83,805	(14,295)	(44,600)	277,777
Share of results of associates						5,717
Finance costs						(56,960)
Other unallocated income						8,472
Unallocated corporate expenses						(56,125)
Profit before taxation						178,881

Segment profit reported to the CODM for the purposes of resource allocation and performance assessment does not include unallocated corporate expenses, share of results of associates, other unallocated income and finance costs.

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	2023					
	Distribution of mobile and IT products		**Property investment and hotel operations**		**Securities investment**	**Consolidated**
	Hong Kong HK$'000	**Thailand HK$'000**	**Japan HK$'000**	**Other regions HK$'000**	**HK$'000**	**HK$'000**
Segment assets	**345,502**	**2,377,326**	**2,345,579**	**1,683,611**	**451,358**	**7,203,376**
Interests in associates						**97,158**
Unallocated corporate assets						**1,300,775**
Consolidated total assets						**8,601,309**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT INFORMATION (CONTINUED)

Segment assets (Continued)

	2022					
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Consolidated
	Hong Kong HK$'000	Thailand HK$'000	Japan HK$'000	Other regions HK$'000	HK$'000	HK$'000
Segment assets	304,866	2,504,340	2,577,119	1,847,795	324,627	7,558,747
Interests in associates						94,788
Unallocated corporate assets						1,186,916
Consolidated total assets						8,840,451

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than interests in associates and unallocated corporate assets.

Other segment information

Segment results and segment assets presented above includes the following:

	2023						
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Unallocated	Consolidated
	Hong Kong HK$'000	Thailand HK$'000	Japan HK$'000	Other regions HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	448	12,541	4,660	16	–	–	17,665
Depreciation of property, plant and equipment	1,728	14,658	12,427	6,335	–	14	35,162
Depreciation of right-of-use assets	2,153	12,122	–	–	–	–	14,275
Impairment losses under expected credit loss model, net of reversal	(710)	6,318	6,129	–	–	–	11,737
(Gain) loss from changes in fair value of investment properties	–	–	(111,567)	158,641	–	–	47,074
Gain from changes in fair value of financial instruments at FVTPL	–	–	–	–	(126,517)	–	(126,517)
Gain from changes in fair value of derivative financial instruments	–	(8,212)	–	–	–	–	(8,212)
Gain on disposal of property, plant and equipment	–	(51)	–	–	–	–	(51)
Impairment loss on property, plant and equipment	–	–	40,604	–	–	–	40,604
Write-down of inventories	474	30,558	–	–	–	–	31,032

6. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

	2022						
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Unallocated	Consolidated
	Hong Kong HK$'000	Thailand HK$'000	Japan HK$'000	Other regions HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	322	13,280	12,122	33	–	21	25,778
Depreciation of property, plant and equipment	1,642	13,815	8,707	6,637	–	15	30,816
Depreciation of right-of-use assets	2,158	10,350	–	–	–	–	12,508
Impairment losses under expected credit loss model, net of reversal	888	4,292	18,221	–	–	–	23,401
(Gain) loss from changes in fair value of investment properties	–	–	(61,484)	40,252	–	–	(21,232)
Loss from changes in fair value of financial instruments at FVTPL	–	–	–	–	46,451	–	46,451
Loss from changes in fair value of derivative financial instruments	–	12,090	–	–	–	–	12,090
Gain on disposal of property, plant and equipment	–	(33)	–	–	–	–	(33)
(Write-back) write-down of inventories	(3,660)	14,371	–	–	–	–	10,711

Geographical information

The Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Japan, Singapore and Thailand).

Information about the Group's revenue by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Hong Kong	**2,648,875**	2,550,438	**1,662,275**	1,832,245
Japan	**286,353**	221,381	**2,283,545**	2,533,046
Singapore	**565**	451	**25,357**	23,417
Thailand	**6,132,169**	6,455,459	**88,432**	78,477
	9,067,962	9,227,729	**4,059,609**	4,467,185

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Non-current assets excluded goodwill, interests in associates, equity instruments, deferred tax assets, other financial assets, other assets and trade receivables.

Major customer information

During the year ended 31 December 2023 and 2022, no customer contributed over 10% of the total revenue of the Group.

7. OTHER INCOME

	2023	2022
	HK$'000	HK$'000
Dividend income	**2,223**	1,851
Government subsidy *(Note)*	**42**	4,649
Interest income from banks deposits	**26,782**	7,493
Maintenance income	**10,354**	10,489
Others	**4,218**	6,948
	43,619	31,430

Note: In current year, the government subsidy represents the wage subsidy provided by the Government of Japan under the employment support scheme (2022: wage subsidy provided by the Government of Japan and the HKSAR Government) to help businesses tide over financial difficulties during the COVID-19 epidemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria.

8. OTHER GAINS AND LOSSES, NET

	2023	2022
	HK$'000	HK$'000
Exchange loss, net	**(16,140)**	(14,609)
Gain on disposal of property, plant and equipment	**51**	33
Gain (loss) from changes in fair value of derivative financial instruments	**8,212**	(12,090)
Impairment loss of property, plant and equipment	**(40,604)**	—
	(48,481)	(26,666)

9. FINANCE COSTS

	2023 **HK$'000**	2022 HK$'000
Interest on bank borrowings	**73,415**	51,050
Interest on bonds	**2,300**	3,044
Interest on lease liabilities	**1,800**	1,311
Interest on rental deposits	**1,367**	1,456
Interest on loan from a related company	**89**	99
	78,971	56,960

10. INCOME TAX EXPENSE

	2023 **HK$'000**	2022 HK$'000
Hong Kong Profits Tax		
Current year	**2,127**	4,179
Underprovision in prior years	**89**	66
	2,216	4,245
Overseas Tax		
Current year	**58,919**	43,467
Underprovision in prior years	**66**	78
Withholding tax on declared dividend income	**3,256**	3,040
	62,241	46,585
Deferred taxation *(Note 34)*	**14,452**	17,196
	78,909	68,026

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Corporate Tax in Japan is calculated at 23.2% (2022: 23.2%) on the estimated assessable profit for the year. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% and 5% on dividends declared to local investors and foreign investors, respectively, in respect of profit earned by Japanese subsidiaries.

Notes to the Consolidated Financial Statements
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10. INCOME TAX EXPENSE (CONTINUED)

Corporate Tax in Thailand is calculated at 20% (2022: 20%) on the estimated assessable profit for the year.

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

As of 31 December 2023, no Pillar Two legislation is effective in the jurisdictions where the group entities operate. The main jurisdiction in which exposures to Pillar Two income taxes may exist include Japan. As at 31 December 2023, approximately 13 per cent of the Group's annual profits arising from Japan are currently taxed at the average effective tax rate lower than 15%, and therefore, it might be subject to Pillar Two income taxes. However, this information is based on the profits and tax expense determined as part of the preparation of the Group's consolidated financial statements without considering adjustments that would have been required applying the legislation. Because of the specific adjustments envisaged in the Pillar Two legislation which may give rise to different effective tax rates compared to those calculated based on accounting profit, the actual impact that the Pillar Two income taxes legislation would have had on the Group's results if it had been in effect for the year ended 31 December 2023 may have been significantly different.

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss as follows:

	2023 **HK$'000**	2022 HK$'000
Profit before tax	**239,321**	178,881
Tax at the domestic income tax rate of 16.5% *(Note 1)*	**39,488**	29,515
Tax effect of share of results of associates	**(1,600)**	(943)
Tax effect of expenses not deductible for tax purposes	**55,095**	29,091
Tax effect of income not taxable for tax purposes	**(25,391)**	(4,029)
Tax effect of tax benefit of subsidiaries *(Note 2)*	**(2,629)**	(7,643)
Tax effect of tax losses and other deductible temporary differences not recognised	**6,196**	10,797
Utilisation of tax losses and other deductible temporary differences previously not recognised	**(5,887)**	(3,227)
Underprovision in prior years	**155**	144
Effect of different tax rates of subsidiaries	**8,863**	7,835
Deferred tax on undistributed earnings of subsidiaries	**1,976**	4,018
Income tax at concessionary rate at 8.25%	**(165)**	(165)
Withholding tax on declared dividend income	**3,256**	3,040
Others	**(448)**	(407)
Income tax expense for the year	**78,909**	68,026

10. INCOME TAX EXPENSE (CONTINUED)

Notes:

1. *Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.*

2. *Certain of the Group's subsidiaries were incorporated as Tokutei Mokuteki Kaisha ("TMK"), a special purpose entity in Japan for real estate transactions. In accordance with the Act on Special Measures Concerning Taxation, a TMK is permitted to deduct from its taxable income the amount of dividends it declared provided that a TMK is distributing at least 90 per cent of its profits in each financial year.*

11. PROFIT FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**6,076**	6,466
Cost of inventories recognised as an expense (including write-down of inventories of HK$31,032,000 (2022: HK$10,711,000))	**8,218,914**	8,449,634
Depreciation of property, plant and equipment	**35,162**	30,816
Depreciation of right-of-use assets	**14,275**	12,508
Staff costs *(Note)*	**271,590**	232,625
Share of tax of associates (included in share of results of associates)	**310**	473
Expense related to short-term lease	**636**	775
and after crediting:		
Gross rental income from investment properties	**147,851**	170,124
Less: direct operating expenses	**(56,334)**	(57,204)
Net rental income	**91,517**	112,920
Interest income from bank deposits	**26,782**	7,493
Dividend income from equity instruments at FVTOCI	**655**	979
Dividend income from financial instruments at FVTPL	**1,568**	872

Note: Staff costs include emoluments to directors as set out in note 12.

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FOR THE YEAR ENDED 31 DECEMBER 2023

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer of the Company during the year are as follows:

	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
2023						
Executive directors:						
Mr. Lim Kia Hong *(Chief executive officer)*		418	3,881	337	42	4,678
Mr. Lim Kiah Meng		388	3,914	435	36	4,773
Mr. Lim Hwee Hai		389	3,182	335	37	3,943
Madam Lim Hwee Noi		205	1,904	47	35	2,191
		1,400	12,881	1,154	150	15,585
Independent non-executive directors:						
Mr. Ma Shiu Sun Michael		280	–	–	–	280
Ms. Ng See Wai Rowena	(a)	151	–	–	–	151
Ms. Tan Song Ping	(b)	75	–	–	–	75
Ms. Ong Wui Leng	(c)	121	–	–	–	121
		627	–	–	–	627
		2,027	12,881	1,154	150	16,212

Notes:

(a) Appointed with effect from 31 March 2023

(b) Appointed with effect from 17 August 2023

(c) Resigned with effect from 7 June 2023

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to retirement benefit scheme HK$'000	Total HK$'000
2022					
Executive directors:					
Mr. Lim Kia Hong *(Chief executive officer)*	418	3,740	336	38	4,532
Mr. Lim Kiah Meng	387	3,769	434	36	4,626
Mr. Lim Hwee Hai	393	3,066	334	35	3,828
Madam Lim Hwee Noi	204	1,839	45	34	2,122
	1,402	12,414	1,149	143	15,108
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	—	—	—	280
Ms. Ong Wui Leng	280	—	—	—	280
Mr. Ma Shiu Sun Michael	280	—	—	—	280
	840	—	—	—	840
	2,242	12,414	1,149	143	15,948

Mr. Lim Kia Hong is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive for both years.

The performance bonus is determined by reference to the performance and resources of the group companies and the performance of the individual directors for both years.

The salaries and other benefits, performance bonus and contribution to retirement benefit scheme paid or payable to executive directors shown above were for the services in connection with the management of the affairs of the Company and the Group for both years.

The fee paid or payable to executive directors and independent non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries for both years.

There was no arrangement under which directors waived or agreed to waive any remuneration for both years.

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12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Of the five individuals with the highest emoluments in the Group, three (2022: three) were directors whose emoluments are disclosed above. The emoluments of the remaining two (2022: two) individual are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and other benefits	**7,489**	8,233
Contributions to retirement benefit scheme	**167**	200
	7,656	8,433

	2023	2022
The emoluments are within the following bands		
HK$2,500,001 to HK$3,000,000	**1**	1
HK$4,500,001 to HK$5,000,000	**1**	—
HK$5,500,001 to HK$6,000,000	**—**	1
	2	2

13. DIVIDENDS

	2023 **HK$'000**	2022 HK$'000
Dividend recognised as distribution during the year ended		
Final dividend, paid in respect of the year ended 31 December 2022 of 2.0 HK cents per share (2022: Final dividend paid in respect of the year ended 31 December 2021 of 2.0 HK cents per share)	**5,559**	5,559

A final dividend of 2.0 HK cents per share amounting to HK$5,559,000 for the year ended 31 December 2023 have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of both basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$88,719,000 (2022: HK$44,460,000) and the weighted average number of ordinary shares calculated below.

	2023	2022
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**277,966,666**	277,966,666

The computation of diluted earnings per share for the year ended 31 December 2023 and 2022 did not assume the exercise of all share options of the Company and share options of SiS Mobile as the exercise prices of those options are higher than the average market prices of the shares of the Company and SiS Mobile for both years.

15. INVESTMENT PROPERTIES

	2023 **HK$'000**	2022 HK$'000
Completed properties	**3,376,893**	3,764,871

	HK$'000
FAIR VALUE	
At 1 January 2022	4,110,724
Exchange realignment	(299,193)
Additions	11,176
Net gain from changes in fair value recognised in profit or loss	21,232
Transfer to property, plant and equipment	(79,068)
At 31 December 2022	**3,764,871**
Exchange realignment	**(149,335)**
Additions	**2,558**
Disposals	**(134,706)**
Net loss from changes in fair value recognised in profit or loss	**(47,074)**
Transfer to property, plant and equipment	**(59,421)**
At 31 December 2023	**3,376,893**

15. INVESTMENT PROPERTIES (CONTINUED)

An analysis of the investment properties, which are stated at fair value, by geographical location is as follows:

	2023	2022
	HK$'000	HK$'000
Hong Kong	**1,377,000**	1,536,200
Japan	**1,958,277**	2,188,142
Singapore	**24,331**	23,396
Thailand	**17,285**	17,133
	3,376,893	3,764,871

All of the Group's property interests which are held to earn rentals or for capital appreciation purposes (including those held under operating leases), are classified and accounted for as investment properties and are measured using the fair value model.

In determining the fair value of the relevant properties, the management has exercised their judgement to determine the appropriate valuation technique and inputs for the fair value measurements.

The fair values of the investment properties in Hong Kong, Japan and Singapore, which falls under level 3 of the fair value hierarchy, as at 31 December 2023 and 2022, have been arrived at on the basis of valuations carried out on that date by Cushman & Wakefield Limited, CBRE K.K. and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. As at 31 December 2023 and 2022, the valuations were arrived at using the income approach by capitalising the net income from the existing tenancies and reversionary income potential at appropriate capitalisation rates for Hong Kong and Japan investment properties. For Singapore investment properties, the valuations were arrived at reference to comparable market transactions as available in the relevant market. Appropriate adjustment have been made to reflect the difference in market conditions and characteristics of each property such as location, size, view, age and etc., and were appropriate by capitalisation of the net income with due allowance for outgoings and provision for reversionary income potential.

The fair values of the investment properties in Thailand, which falls under level 3 of the fair value hierarchy, as at 31 December 2023, have been arrived at on the basis of valuations carried out on that date by KTAC Appraisal And Service Co., Ltd. and Siam Appraisal And Service Co., Ltd, who are independent qualified professional valuers not connected with the Group. As at 31 December 2023, the fair value of one of the land and building thereon, as well as office units for rent were arrived at using the income approach with key assumptions used in the valuation including yield rate, inflation rate, long-term vacancy rate, and long-term growth in real rental rates. The fair value of another land unit was arrived at by reference to market evidence of recent transaction prices for similar properties.

The fair values of the investment properties in Thailand which falls under level 3 of the fair value hierarchy, as at 31 December 2022, were fair valued by the management by reference to comparable market transactions as available in the relevant market.

15. INVESTMENT PROPERTIES (CONTINUED)

The change of the valuation technique for certain investment properties in Thailand from direct comparison approach to income approach is adopted in order to align with the industry practice. The management of the Group considers that the change in valuation technique with respect to those investment properties in Thailand as at 31 December 2023 is appropriate as the income approach used in current year is based on yield rate, inflation rate, long-term vacancy rate, and long-term growth in real rental rates, and shall equally reflect the property value as compared to the valuation technique used in the prior year which was based on market price of similar properties and locations.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The valuation obtained for an investment property situated in Japan has been adjusted to avoid double-counting of liabilities that are recognised as separate lease liabilities. A reconciliation between the valuation amount and the adjusted valuation is provided below.

	2023 **HK$'000**	2022 HK$'000
Valuation of the investment property	**602,752**	616,860
Recognised lease liabilities	**19,037**	24,821
Fair value of the investment property	**621,789**	641,681

15. INVESTMENT PROPERTIES (CONTINUED)

During the year ended 31 December 2023, the Group transferred certain hotel properties from investment property to property, plant and equipment at a carrying amount of HK$59,421,000 (2022: HK$79,068,000) upon commencement of owner-occupation.

2023

Investment properties	Fair value	Valuation technique	Significant unobservable input(s)	Sensitivity
Commercial properties in Hong Kong	HK$1,302,700,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 2.5%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Industrial properties in Hong Kong	HK$38,200,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 3.0%–3.25%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Residential properties in Hong Kong	HK$9,100,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 2.625%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Carparks in Hong Kong	HK$27,000,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 2.5%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Residential properties in Singapore	HK$24,331,000	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar properties adjusted location, size, view, age and etc., which ranged from SGD1,890 to SGD1,980 per square feet.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Land in Thailand	HK$5,481,000	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar land and properties adjusted location, size, usage, which was THB 23 per square feet.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Office, warehouse and land in Thailand	HK$11,804,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 10%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Hotels in Japan	HK$1,958,277,000	Income approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 4.5%–7.1%.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa
Total	HK$3,376,893,000			

15. INVESTMENT PROPERTIES (CONTINUED)

2022

Investment properties	Fair value	Valuation technique	Significant unobservable input(s)	Sensitivity
Commercial properties in Hong Kong	HK$1,460,000,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 2.375%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Industrial properties in Hong Kong	HK$39,200,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 3.0%–3.25%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Residential properties in Hong Kong	HK$10,000,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 2.5%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Carparks in Hong Kong	HK$27,000,000	Income approach	Capitalisation rate, taking into account of capitalisation of rental income potential, nature of the property and prevailing market condition, of 2.5%.	A significant increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Residential properties in Singapore	HK$23,396,000	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar properties adjusted location, size, view, age and etc., which ranged from SGD1,850 to SGD1,930 per square feet.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Office, warehouse and land in Thailand	HK$17,133,000	Direct comparison approach	Market unit rate, taking into account the recent transaction prices for similar land and properties adjusted location, size, usage, which ranged from THB23 to THB6,900 per square feet.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Hotels in Japan	HK$2,188,142,000	Income approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 4.3%–7.2%.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa
Total	HK$3,764,871,000			

15. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Fair value at Level 3 hierarchy	
	2023	2022
	HK$'000	HK$'000
Commercial properties in Hong Kong	**1,302,700**	1,460,000
Industrial properties in Hong Kong	**38,200**	39,200
Residential properties in Hong Kong	**9,100**	10,000
Carparks in Hong Kong	**27,000**	27,000
Residential properties in Singapore	**24,331**	23,396
Office, warehouse and land in Thailand	**17,285**	17,133
Hotels in Japan	**1,958,277**	2,188,142
Fair value of the investment property	**3,376,893**	3,764,871

There were no transfers into or out of level 3 during both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Hotel properties HK$'000	Leasehold land and building in Hong Kong HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2022	84,053	288,329	320,888	23,087	73,073	3,713	793,143
Exchange realignment	(10,057)	(35,130)	–	(234)	(2,542)	(32)	(47,995)
Additions	–	–	–	233	14,163	206	14,602
Disposals	–	–	–	–	(11,445)	–	(11,445)
Transfer from investment properties *(note 15)*	–	79,068	–	–	–	–	79,068
At 31 December 2022	**73,996**	**332,267**	**320,888**	**23,086**	**73,249**	**3,887**	**827,373**
Exchange realignment	**(5,215)**	**(27,741)**	**–**	**89**	**1,342**	**48**	**(31,477)**
Additions	**–**	**–**	**–**	**–**	**15,107**	**–**	**15,107**
Disposals	**–**	**–**	**–**	**–**	**(321)**	**–**	**(321)**
Transfer from investment properties *(note 15)*	**–**	**59,421**	**–**	**–**	**–**	**–**	**59,421**
At 31 December 2023	**68,781**	**363,947**	**320,888**	**23,175**	**89,377**	**3,935**	**870,103**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	–	63,381	27,264	17,008	34,663	1,685	144,001
Exchange realignment	–	(7,861)	–	(142)	(1,067)	26	(9,044)
Provided for the year	–	8,151	6,160	2,402	13,340	763	30,816
Eliminated on disposals	–	–	–	–	(11,404)	–	(11,404)
At 31 December 2022	**–**	**63,671**	**33,424**	**19,268**	**35,532**	**2,474**	**154,369**
Exchange realignment	**–**	**(5,000)**	**–**	**86**	**1,207**	**54**	**(3,653)**
Provided for the year	**–**	**11,673**	**6,161**	**2,115**	**14,731**	**482**	**35,162**
Impairment loss recognised in profit or loss *(Note)*	**–**	**40,604**	**–**	**–**	**–**	**–**	**40,604**
Eliminated on disposals	**–**	**–**	**–**	**–**	**(272)**	**–**	**(272)**
At 31 December 2023	**–**	**110,948**	**39,585**	**21,469**	**51,198**	**3,010**	**226,210**
CARRYING VALUES							
At 31 December 2023	**68,781**	**252,999**	**281,303**	**1,706**	**38,179**	**925**	**643,893**
At 31 December 2022	73,996	268,596	287,464	3,818	37,717	1,413	673,004

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Hotel properties	2%–3%
Leasehold land and building	2%, or over the term of the lease, whichever is shorter
Leasehold improvements	15% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	10%–33%
Motor vehicles	20%

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

During the year ended 31 December 2023, the management of the Group determined there was indication for impairment on certain hotel property located in Japan, within the property investment and hotel operations segment, with carrying amounts of HK$110,962,000 (2022: nil) as the financial performance of that hotel property did not meet the target.

In determining the recoverable amount of the hotel property as of 31 December 2023, the Group engaged third party qualified valuers, CBRE K.K., independent valuers not related to the Group, to perform the valuation. The fair value of the hotel property was determined based on the income approach by capitalising the net income from the existing tenancies and reversionary income potential at appropriate capitalisation rates for Japan hotel property.

The relevant assets were impaired during the year ended 31 December 2023 to their recoverable amount of HK$70,358,000, and impairment losses of HK$40,604,000 (2022: nil) had been recognised in profit or loss during the year.

17. RIGHT-OF-USE ASSETS

Leased properties

	2023 HK$'000	2022 HK$'000
As at 1 January		
Carrying amount	**29,310**	31,675
As at 31 December		
Carrying amount	**38,823**	29,310
For the year ended		
Depreciation charge	**14,275**	12,508
Expense relating to short-term leases	**636**	775
Total cash outflow for leases	**20,345**	20,152
Additions to right-of-use assets	**23,679**	11,253

For both years, the Group leases various offices and warehouses, for its operations. Lease contracts are entered into for fixed term of 3 to 6 years (2022: 3 to 6 years). The Group has extension options in a number of leases for offices and warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors. The Group assessed that it is reasonably certain to exercise all the extension option at the date of initial application. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2022, 31 December 2022 and 31 December 2023	**126,406**

Goodwill arose from the acquisition of equity interest in a group which engaged in distribution of mobile and IT products in Thailand.

For the purposes of impairment testing, goodwill has been allocated to a group of cash-generating units, in relation to distribution of mobile and IT products in Thailand, which represent the lowest level at which the goodwill is monitored internally for management purpose.

At both 31 December 2023 and 2022, management of the Group determines that there is no impairment on the goodwill, since the recoverable amount which determined with reference to the market capitalisation of such cash-generating units is above the carrying amount.

19. INTERESTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Cost of investment in associates		
Listed overseas	**87,224**	87,224
Share of post-acquisition profits and reserves, net of dividend received	**9,934**	7,564
	97,158	94,788
Fair value of listed associates *(Note)*	**128,054**	123,540

Note: The fair value of the listed investments is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company		Proportion of voting rights held indirectly by the Company		Principal activities
				2023	2022	**2023**	2022	
IT Consultants PLC (formerly named Information Technology Consultants Limited) ("ITCL")	Limited company	Bangladesh	Ordinary	**37.6%**	37.6%	**37.6%**	37.6%	Provision of financial services and mobile banking solutions

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19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

The following are the summarised financial information of ITCL. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. Such associate is accounted for using equity method in the consolidated financial statements.

	2023 **HK$'000**	2022 HK$'000
Current assets	**82,732**	151,236
Non-current assets	**171,601**	83,688
Current liabilities	**(37,895)**	(59,398)
Non-current liabilities	**(38,646)**	(4,038)
	177,792	171,488
Revenue	**98,835**	88,680
Profit for the year	**25,797**	15,206
Other comprehensive expense for the year	**—**	—
Total comprehensive income for the year	**25,797**	15,206
Group's share of the total profit for the year	**9,699**	5,717

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2023 **HK$'000**	2022 HK$'000
Net assets of ITCL	**177,792**	171,488
Proportion of the Group's ownership interest in ITCL	**37.6%**	37.6%
The Group's share of net assets of ITCL	**66,845**	64,475
Goodwill *(Note)*	**30,313**	30,313
Carrying amount of the Group's interest in ITCL	**97,158**	94,788

Note: ITCL was listed on the stock exchange in Bangladesh in 2016. The amount represented the fair value of retained interest over the share of diluted interest of net assets of ITCL.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associate that is not individually material

	2023 HK$'000	2022 HK$'000
The Group's share of profit for the year	**–**	–

The Group has discontinued recognising its share of losses of certain associates. The amounts of unrecognised share of losses of these associates, extracted from the management accounts of the relevant associates, both for the year and cumulatively, are as follows:

	2023 HK$'000	2022 HK$'000
Unrecognised share of loss of associates for the year	**(95)**	–
Accumulated unrecognised share of losses of associates	**(487)**	(392)

20. FINANCIAL INSTRUMENTS AT FVTPL

	2023 HK$'000	2022 HK$'000
Non-current assets:		
Listed securities designated at FVTPL:		
Equity securities listed in Hong Kong	**18,058**	14,752
Equity securities listed overseas	**229,921**	121,923
	247,979	136,675
Unlisted securities designated at FVTPL:		
Equity securities established at overseas	**82,592**	51,737
	330,571	188,412
Current assets:		
Debt instruments with fixed interest of 8.8% and maturity date on 26 January 2024	**7,971**	–
Listed securities held for trading:		
Equity securities listed overseas	**79,919**	86,419
	87,890	86,419

21. EQUITY INSTRUMENTS AT FVTOCI

	2023 HK$'000	2022 HK$'000
Listed investments:		
Equity securities listed in Hong Kong	**7,799**	8,395
Equity securities listed overseas	**12,296**	7,717
	20,095	16,112
Unlisted investments:		
Equity securities established in Hong Kong	**3,651**	3,651
Equity securities established overseas	**14,621**	27,533
	18,272	31,184
	38,367	47,296

The above listed and unlisted equity investments are not held for trading, instead, they are held for long-term strategic purposes. The unlisted equity securities represent investment in entities involve in IT related business are held for strategic and capital appreciation purposes. The directors of the Company have elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investment for long-term purposes and realising their performance potential in the long run.

22. OTHER FINANCIAL ASSETS

The other financial assets are analysed as follow:

	2023 HK$'000	2022 HK$'000
Rental deposits paid	**2,922**	2,580
Other receivables *(Note)*	**1,343**	1,997
	4,265	4,577

Note: At 31 December 2023, out of HK$1,343,000 (2022: HK$1,997,000), there are outstanding balances from one (2022: two) independent third party with aggregate carrying amount of HK$1,091,000 (2022: HK$1,957,000) which were past due over three months. The terms of the receivables have been modified on which fixed interests are charged at 6% per annum (2022: 3.00% to 6.00% per annum) and the final maturity dates are August 2026 (2022: August 2024 and August 2026) in which HK$736,000 (2022: HK$370,000) is to be repaid within twelve months from the date of the reporting period and has been included in trade and other receivables, deposits and prepayments. The receivables are secured by the properties and land title deed.

Details of impairment assessment are set out in note 39.

23. INVENTORIES

	2023	2022
	HK$'000	HK$'000
Finished goods	**829,964**	1,062,338

During the year, write-down of obsolete and slow moving inventories of HK$31,032,000 (2022: HK$10,711,000) has been recognised in the profit or loss.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	HK$'000	HK$'000
Trade receivables from sales of goods	**1,430,663**	1,302,849
Lease receivables	**35,067**	28,023
Less: allowance for credit losses	**(32,738)**	(25,358)
	1,432,992	1,305,514
Consumption tax receivable	**597**	140
Value added tax receivable	**3,339**	24,997
Rebate and claims receivable	**60,417**	61,307
Trade deposits for mobile and IT products	**73,855**	40,630
Effective rental receivables	**23,561**	23,201
Prepayments	**18,640**	26,674
Deposits and others	**33,957**	21,727
	1,647,358	1,504,190
Analysed as		
Current portion	**1,600,744**	1,504,190
Non-current portion *(Note)*	**46,614**	—
	1,647,358	1,504,190

Note: The trade receivables classified as non-current based on expected settlement dates by instalment schedule.

At 1 January 2022, trade receivables from contracts with customers amounted to HK$1,346,123,000.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group usually allows credit period range from 30 to 90 days to its trade customers. No credit period is granted to the customers for renting of properties. Rent is payable on presentation of a demand note. No interest is charged on overdue debts.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The following is an analysis of trade receivables and lease receivables by age, net of allowance for credit losses, presented based on the invoice date for trade receivables and demand note date for lease receivables at the end of the reporting period.

	2023 HK$'000	2022 HK$'000
Within 30 days	605,812	568,092
31 to 90 days	519,817	509,510
91 to 120 days	63,493	60,638
Over 120 days	243,870	167,274
	1,432,992	1,305,514

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$388,717,000 (2022: HK$243,689,000) which are past due as at the reporting date. Out of the past due balances, HK$88,344,000 (2022: HK$26,753,000) has been past due 90 days or more and is not considered as in default after considering the creditworthiness and past payment history of these debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment are set out in note 39.

25. AMOUNTS DUE FROM (TO) AN ASSOCIATE

The amounts due from/to an associate are in trade nature which are unsecured, interest-free with credit period range from 30 to 90 days. Details of impairment assessment are set out in note 39.

26. PLEDGED DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.0001% to 5.38% (2022: 0.0001% to 3.48%) per annum.

Pledged deposits that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK$246,582,000 (2022: HK$234,543,000).

Details of impairment assessment are set out in note 39.

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Trade payables	**605,203**	578,198
Accrued marketing expenses	**208,544**	171,350
Receipt in advance for leasing of investment properties	**11,178**	11,395
Accrued staff costs	**54,253**	62,001
Other tax payable	**19,742**	14,361
Interest payable	**5,574**	5,385
Accruals and other payables	**114,141**	86,633
	1,018,635	929,323

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States Dollar ("US$"), currency other than the functional currencies of the relevant group entities amounted to HK$73,918,000 (2022: HK$79,059,000).

The following is an aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	2023 HK$'000	2022 HK$'000
Within 30 days	**490,263**	437,838
31 to 90 days	**104,394**	122,268
91 to 120 days	**1,368**	5,352
Over 120 days	**9,178**	12,740
	605,203	578,198

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28. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Distribution of mobile and IT products	**14,956**	17,480

As at 1 January 2022, contract liabilities amounted to HK$13,005,000.

The following table shows how much of the revenue recognised in the current year related to carried-forward contract liabilities:

	Receipts in advance from customers	
	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**13,656**	11,733

The Group receives deposits from certain customers when they issues purchase order. This results in contract liabilities being recognised until the control of the mobile and IT products is passed to the customers.

29. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**19,079**	15,651
Within a period of more than one year but not more than two years	**15,178**	14,067
Within a period of more than two years but not more than five years	**11,185**	10,362
Within a period of more than five years	**13,137**	14,338
	58,579	54,418
Less: Amount due for settlement with 12 months shown under current liabilities	**(19,079)**	(15,651)
Amount due for settlement after 12 months shown under non-current liabilities	**39,500**	38,767

The weighted average incremental borrowing rates applied to lease liabilities was 2.92% (2022: 2.70%).

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 **HK$'000**	2022 HK$'000
Foreign currency forward contracts	**3,600**	11,817

The terms of the foreign currency forward contracts are listed out as below:

Buy	**Sell**	**Maturity**	**Contract rates**
2023			
US$20,541,000	**THB707,606,000**	**22 January 2024 to 3 July 2024**	**US$1:THB33.29 to US$1:THB35.58**
2022			
US$24,783,000	THB900,388,000	4 January 2023 to 27 June 2023	US$1:THB34.00 to US$1:THB37.82

31. BANK BORROWINGS

	2023 **HK$'000**	2022 HK$'000
Bank loans	**2,385,380**	2,523,083
Trust receipt loans	**637,493**	870,770
	3,022,873	3,393,853
Secured	**2,302,276**	2,447,176
Unsecured	**720,597**	946,677
	3,022,873	3,393,853

31. BANK BORROWINGS (CONTINUED)

The Group's bank borrowings were repayable as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount of bank borrowings based on scheduled repayment dates sets out in the loan agreements:		
Within one year	**2,084,453**	2,239,335
Within a period of more than one year but not more than two years	**8,914**	328,943
Within a period of more than two year but not more than five years	**612,325**	504,727
More than five years	**7,441**	10,645
	2,713,133	3,083,650
Carrying amount of bank borrowings that contains a repayment on demand clause (show under current liabilities):		
— repayable within one year	**246,727**	7,438
— repayable more than one year, but not exceeding two years	**3,478**	246,188
— repayable more than two year, but not exceeding five years	**55,260**	56,577
— repayable more than five years	**4,275**	—
	309,740	310,203
	3,022,873	3,393,853
Less: Amount due within one year shown under current liabilities	**(2,394,193)**	(2,549,538)
Amount shown under non-current liabilities	**628,680**	844,315

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate ("LIBOR") and JPY LIBOR plus a margin, ranging from 0.4% to 1.66% per annum (2022: LIBOR, and JPY LIBOR plus 0.4% to 1.83% per annum).

Trust receipt bears floating interest rates from 2.65%–3.09% per annum (2022: 1.39% to 2.13%).

Bank loans that are denominated in Japanese Yen ("JPY"), amounted to JPY15,894,400,000 (equivalent to HK$880,550,000) (2022: JPY15,499,250,000 (equivalent to HK$923,755,000)). All other bank loans are denominated in functional currency of the respective group entities.

32. BONDS

Bonds with aggregate principal amount of JPY2,584,191,000 (equivalent to HK$143,164,000) (2022: JPY3,887,304,000 (equivalent to HK$231,683,000)) will mature on 29 October 2026 (2022: 29 October 2026). The bonds are all denominated and settled in JPY, bear interest at rates ranging from JPY LIBOR plus 0.9% to 1.6% (2022: JPY LIBOR plus 1.0% to 1.6%) per annum, payable quarterly and non-recourse in nature.

	2023 **HK$'000**	2022 HK$'000
Carrying amount of bond repayable based on contractual repayment dates:		
Within one year	**36,532**	59,586
More than one year but not more than two years	**34,071**	39,242
More than two years but not more than five years	**72,561**	132,855
	143,164	231,683
Less: Amount due within one year shown under current liabilities	**(36,532)**	(59,586)
Amount shown under non-current liabilities	**106,632**	172,097

33. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases.

34. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Actuarial gain from financial assumptions changes for employee benefit HK$'000	Allowances for credit losses/ inventories/ accrual HK$'000	Tax losses HK$'000	Undistributed earnings of subsidiaries HK$'000	Revaluation of properties/ Impairment of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2022	(16,175)	—	82,672	6,710	(66,601)	(25,866)	(19,260)
(Charge) credit to profit or loss	(909)	(695)	2,892	(202)	(4,018)	(14,264)	(17,196)
Exchange realignment	—	(7)	(2,475)	—	4,791	3,095	5,404
At 31 December 2022	**(17,084)**	**(702)**	**83,089**	**6,508**	**(65,828)**	**(37,035)**	**(31,052)**
(Charge) credit to profit or loss	**(998)**	**(678)**	**8,676**	**1,895**	**(1,976)**	**(21,371)**	**(14,452)**
Exchange realignment	**—**	**(15)**	**830**	**—**	**1,465**	**2,092**	**4,372**
At 31 December 2023	**(18,082)**	**(1,395)**	**92,595**	**8,403**	**(66,339)**	**(56,314)**	**(41,132)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**88,864**	80,753
Deferred tax liabilities	**(129,996)**	(111,805)
	(41,132)	(31,052)

At the end of the reporting period, the Group has unutilised tax losses of HK$248,518,000 (2022: HK$246,165,000) and other deductible temporary differences of HK$513,744,000 (2022: HK$464,871,000). A deferred tax asset has been recognised in respect of the tax losses of HK$50,927,000 (2022: HK$39,450,000) and other deductible temporary differences of HK$462,861,000 (2022: HK$415,332,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$197,591,000 (2022: HK$206,715,000) and the other deductible temporary differences of HK$50,883,000 (2022: HK$49,539,000) due to the unpredictability of future assessable profit streams. All tax losses can be carried forward indefinitely.

35. RETIREMENT BENEFIT SCHEMES

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Under the 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. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The total expense recognised in profit or loss of HK$14,550,000 (2022: HK$12,968,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Employees of the Group's subsidiaries incorporated in Singapore are members of pension schemes operated by the local government. The subsidiaries contributions to the pension schemes ranges from 7.5% to 17% of the employees' monthly salaries.

Defined benefit plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement").

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. On the other hand, the accrued benefits derived from the Group's voluntary contributions made pre-, on or post-transition can continue to be used to offset pre- and post-transition LSP. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date. The Amendment Ordinance has impact on the Group's LSP liability with respect to employees that participate in MPF Scheme and the Group has accounted for the offsetting mechanism and its abolition as disclosed in note 2.4 and note 3.

35. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Defined benefit plan (Continued)

The Group also operates defined benefit plans ("the Plan") for qualifying employees of its subsidiaries in Thailand based on the requirement of Thai Labour Protection Act B.E. 2541(1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2023 by independent actuary, NIDA Consulting Center. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2023	2022
Discount rate	**2.95%**	2.90%
Expected rate of salary increase	**6% p.a.**	6% p.a.
Employee turnover rate	**0–19%**	0–20%

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the plan is as follows:

	2023 **HK$'000**	2022 HK$'000
Present value of defined benefit obligation	**18,969**	18,827

Movements of the present value of defined obligation are as follows:

	2023 **HK$'000**	2022 HK$'000
At beginning of the year	**18,827**	20,415
Exchange realignment	**166**	(705)
Current services costs	**3,148**	3,814
Interest on obligation	**446**	315
Past service costs	**176**	442
Actuarial loss	**(2,662)**	(3,480)
Benefits paid during the year	**(1,132)**	(1,974)
At end of the year	**18,969**	18,827

35. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Defined benefit plan (Continued)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and employee turnover rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by HK$2,247,000 or increase by HK$2,652,000 (2022: decrease by HK$2,350,000 or increase by HK$2,802,000).

- If the expected salary growth increases or decreases by 1%, the defined benefit obligation would increase by HK$2,543,000 or decrease by HK$2,207,000 (2022: increase by HK$3,051,000 or decrease by HK$2,599,000).

- If the life employee turnover rate increases or decreases by 1%, the defined benefit obligation would decrease by HK$2,416,000 or increase by HK$1,033,000 (2022: decrease by HK$2,509,000 or increase by HK$1,153,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

36. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2023	2022	**2023 HK$'000**	2022 HK$'000
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning and end of year	**277,966,666**	277,966,666	**27,797**	27,797

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37. SHARE OPTION SCHEME

(a) SiS International Holdings Limited

A new share option scheme was adopted by the Company on 26 May 2017 (the “New Scheme”), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the “Old Scheme”). The Old Scheme and New Scheme are collectively referred as SiS International Share Option Scheme (the “SiS International Share Option Scheme”). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company’s shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company’s issued share capital, without prior approval from the Company’s shareholders. HK$100 is payable by each eligible participant to the Company on acceptance of an offer of options.

During the year ended 31 December 2015, share options were granted by the Company on 26 June 2015 to certain directors of the Company and employees of the Group and third parties at an exercise price of HK$4.47 per share and at a cash consideration of HK$10 per grantee.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Details of the share options outstanding as at 31 December 2023 are as follows:

Number of share options	Vesting period	Exercise period	Exercise price
670,000	27 June 2015–31 December 2015	1 January 2016–26 June 2025	HK$4.47
670,000	27 June 2015–31 December 2016	1 January 2017–26 June 2025	HK$4.47
670,000	27 June 2015–31 December 2017	1 January 2018–26 June 2025	HK$4.47

37. SHARE OPTION SCHEME (CONTINUED)

(a) SiS International Holdings Limited (Continued)

The movements in the shares options during the two years ended 31 December 2023 and 31 December 2022 are as follows:

Grantee	Outstanding at 1 January 2022, 31 December 2022 and 1 January 2023	Lapsed during the year	Outstanding at 31 December 2023
Directors	990,000	(240,000)	750,000
Employees and others	1,260,000	—	1,260,000
	2,250,000	(240,000)	2,010,000
Exercisable	2,250,000		2,010,000
Weighted average exercise price	4.47	4.47	4.47

Other than disclosed above, no options were granted, exercised or forfeited during the years ended 31 December 2023 and 31 December 2022.

At 31 December 2023, the number of options which remained outstanding under the Scheme was 2,010,000 (2022: 2,250,000) which, if exercised in full, represents 0.7% (2022: 0.8%) of the enlarged capital of the Company.

(b) SiS Mobile Holdings Limited

Pursuant to the share option scheme adopted by the SiS Mobile on 16 December 2014 (the "SiS Mobile Share Option Scheme"), SiS Mobile may grant options to qualified persons, including employees and directors of SiS Mobile, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of SiS Mobile.

During the year ended 31 December 2015, share options were granted by SiS Mobile on 25 June 2015 to directors, certain employees and eligible persons of the SiS Mobile group. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of SiS Mobile in issue, without prior approval from SiS Mobile shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of SiS Mobile issued share capital, without prior approval from SiS Mobile shareholders. HK$100 is payable by each eligible participant to SiS Mobile on acceptance of an offer of options.

37. SHARE OPTION SCHEME (CONTINUED)

(b) SiS Mobile Holdings Limited (Continued)

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Details of the share options outstanding as at 31 December 2023 are as follows:

No. of share options	Vesting period	Exercise period	Exercise price
2,530,000	26.6.2015–31.12.2015	1.1.2016–30.6.2023	HK$2.36
2,530,000	26.6.2015–31.12.2016	1.1.2017–30.6.2023	HK$2.36
2,530,000	26.6.2015–31.12.2017	1.1.2018–30.6.2023	HK$2.36

The movements in the shares options during the year ended 31 December 2023 and 2022 are as follows:

Grantee	Outstanding at 1 January 2022, 31 December 2022 and 1 January 2023	Lapsed during the year	Outstanding at 31 December 2023
Directors	6,390,000	(6,390,000)	–
Employees and others	1,200,000	(1,200,000)	–
	7,590,000	(7,590,000)	–

Other than disclosed above, no options were granted, exercised or forfeited during the years ended 31 December 2023 and 31 December 2022.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of borrowings, lease liabilities, bonds and equity, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Equity instruments at FVTPL	**410,490**	274,831
Debt instruments at FVTPL	**7,971**	—
Equity instruments at FVTOCI	**38,367**	47,296
Financial assets at amortised cost	**2,883,208**	2,618,637
	3,340,036	2,940,764
Financial liabilities		
Derivative financial instruments	**3,600**	11,817
Financial liabilities at amortised cost	**4,073,301**	4,474,456
	4,076,901	4,486,273

b. Financial risk management objectives and policies

The Group's major financial instruments and details of the financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity prices.

(i) Currency risk

Certain purchase of goods of the Group are denominated in US$. Certain bank balances are denominated in US$, Australian Dollar, Singapore Dollar, Malaysian Ringgit, JPY, Renminbi and British Pound Sterling, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
US$	**574,722**	482,092	**197,879**	195,220
Australian Dollar	**25,176**	24,307	**—**	—
Singapore Dollar	**85,021**	82,285	**9,440**	9,328
Malaysian Ringgit	**—**	—	**883**	919
JPY	**11,468**	31,537	**887,759**	930,210
Renminbi	**3,122**	3,190	**7,564**	564
British Pound Sterling	**9,625**	1,520	**—**	—

The Group currently does not have comprehensive hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should need arise.

Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

	2023		2022	
	Increase (decrease) in foreign exchange rates %	**Increase (decrease) in post-tax profit HK$'000**	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK$'000
Non-derivative financial instruments				
US$	**1.5**	**4,784**	1.5	3,853
	(1.5)	**(4,784)**	(1.5)	(3,853)
Australian Dollar	**10.0**	**2,102**	10.0	2,030
	(10.0)	**(2,102)**	(10.0)	(2,030)
Singapore Dollar	**5.0**	**3,089**	5.0	2,959
	(5.0)	**(3,089)**	(5.0)	(2,959)
Malaysian Ringgit	**5.0**	**(37)**	5.0	(46)
	(5.0)	**37**	(5.0)	46
JPY	**10.0**	**(73,170)**	10.0	(75,039)
	(10.0)	**73,170**	(10.0)	75,039
Renminbi	**10.0**	**(344)**	10.0	221
	(10.0)	**344**	(10.0)	(221)
British Pound Sterling	**5.0**	**402**	5.0	63
	(5.0)	**(402)**	(5.0)	(63)
Derivative financial instruments				
US$	**1.5**	**2,338**	1.5	2,857
	(1.5)	**(2,499)**	(1.5)	(3,177)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period exposure does not reflect the exposure during the year.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL and FVTOCI. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to listed, unlisted equity securities and corporate bonds at the end of the reporting period.

If the price of the respective financial instruments of FVTPL had been 10% (2022: 10%) higher/lower, the Group's post-tax profit for the year ended 31 December 2023 would increase/decrease by HK$41,846,000 (2022: HK$27,483,000) as a result of the changes in fair value of financial instruments at FVTPL.

If the price of the respective equity instruments at FVTOCI had been 10% (2022: 10%) higher/lower, the Group's investments reserve would increase/decrease by HK$3,837,000 (2022: HK$4,730,000) as result of the changes in fair value of equity instruments at FVTOCI.

(iii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other receivables and lease liabilities (see notes 22 and 29 for details).

The balances comprising pledged deposits, cash and cash equivalents, bonds and bank borrowings carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would decrease/increase by approximately HK$7,546,000 (2022: HK$10,251,000). The analysis is prepared assuming the amounts of pledged deposits, cash and cash equivalents, bank loans and bonds outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Lease receivables and trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on the receivables collectively with appropriate groupings and individually for credit-impaired balances.

Other receivables and deposits

The other receivables mainly represents rebate and claims receivables from suppliers as well as advance to suppliers, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2023 and 2022, the Group assessed the ECL for deposits were insignificant and thus no loss allowance was recognised.

For other receivables, the directors of the Company consider the exposure of the credit risk, historical settlement and other forward-looking information and allowance of credit loss of HK$10,810,000 (2022: HK$7,786,000) was recognised. For the year ended 31 December 2022, allowance of credit loss recognised in prior years of HK$13,057,000 (2023: nil) is written off.

Pledged deposits and cash and cash equivalents

The credit risks on pledged bank deposits and cash and cash equivalents are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances is considered to be insignificant.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables included in other financial assets

The directors of the Company estimated the loss rates of other receivables based on the fair value of the collateral pledged by the debtors to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals and the directors of the Company considers the ECL for loan receivables is insignificant.

Amount due from an associate

The Group regularly monitors the business performance of the associate. The Group's credit risks in the balance is mitigated through the value of the assets held by the associate and the power to participate the relevant activities of this entity. The directors of the Company believe that there is no significant increase in credit risk and the Group's credit risk is not significant and thus no allowance was recognised.

The Group has no significant concentration of credit risk over its trade receivables, with exposure spread over a number of counterparties and customers. The Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Thailand which accounted for majority of the trade receivables at 31 December 2023 and 2022.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and lease receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default, does not have any past due or overdue with 30 days	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates over 30 days but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's major financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Financial assets at amortised cost						
Trade receivables	24	N/A	Low risk/watch list	Lifetime ECL – not credit-impaired	**1,428,549**	1,298,029
			Doubtful	Lifetime ECL – not credit-impaired	**302**	–
			Loss *(Note)*	Lifetime ECL – credit-impaired	**1,812**	4,820
Lease receivables	24	N/A	Low risk/watch list	Lifetime ECL – not credit-impaired	**18,600**	14,339
			Loss *(Note)*	Lifetime ECL – credit-impaired	**16,467**	13,684
Pledged deposits	26	Above A–	N/A	12m ECL	**323,234**	308,016
Cash and cash equivalent	26	Above A–	N/A	12m ECL	**961,024**	862,024
Other receivables and trade deposits	24	N/A	Low risk	12m ECL	**172,122**	145,938
Amount due from an associate	25	N/A	Low risk	12m ECL	**276**	292
Rental deposits paid	22	N/A	Low risk	12m ECL	**2,922**	2,580
Loan receivables	22	N/A	Low risk	12m ECL	**1,343**	1,997

Note: For trade and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired due to the receivables aged over 90 days, the Group determines the ECL on these items by internal credit rating status with appropriate grouping with reference to historical credit loss experience. Debtors that are large scale and/or with long business relationship with good repayment history are considered as low risk and a minimal default rate is assigned, while debtors which usually settle one to three months after due dates are considered as watch list and a low default rate is assigned.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in life time ECL that has been recognised for trade and lease receivables under simplified approach.

	Not credit-impaired HK$'000	Credit-impaired HK$'000	Total HK$'000
As at 1 January 2022	5,396	8,899	14,295
Impairment loss	1,597	14,875	16,472
Reversal	(319)	(538)	(857)
Write-off	—	(2,289)	(2,289)
Exchange adjustment	180	(2,443)	(2,263)
As at 31 December 2022	**6,854**	**18,504**	**25,358**
Impairment loss	**8,792**	**832**	**9,624**
Reversal	**(911)**	**—**	**(911)**
Write-off	**—**	**(478)**	**(478)**
Exchange adjustment	**(276)**	**(579)**	**(855)**
As at 31 December 2023	**14,459**	**18,279**	**32,738**

The following table provides information about the exposure to credit risk for trade and lease receivables, which are assessed based on provision matrix as at 31 December 2023 within lifetime ECL (not credit-impaired).

Internal credit rating

	2023		2022	
	Loss rates	**Trade and lease receivables HK$'000**	Loss rates	Trade and lease receivables HK$'000
Low risk	**0.1%–2%**	**1,251,015**	0.1%–3%	1,223,795
Watch list	**0.4%–4%**	**196,134**	0.4%–8%	88,573
Doubtful	**20%**	**302**	—	—
		1,447,451		1,312,368

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The directors of the Company believe that the existing loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to withdraw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the carrying amount of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or within 3 months HK$'000	3–12 months HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December HK$'000
2023								
Non-derivative financial liabilities								
Trade and other payables	N/A	607,603	214,118	–	–	–	821,721	821,721
Bank borrowings	1.71	2,333,913	70,747	18,644	617,300	7,565	3,048,169	3,022,873
Bonds	1.44	638	38,242	1,985	157,888	–	198,753	143,164
Amount due to an associate	N/A	20	–	–	–	–	20	20
Rental deposits	1.54	4,134	8,937	9,147	29,712	39,420	91,350	85,523
Sub-total		2,946,308	332,044	29,776	804,900	46,985	4,160,013	4,073,301
Lease liabilities	2.92	5,297	15,917	17,214	13,316	29,806	81,550	58,579
		2,951,605	347,961	46,990	818,216	76,791	4,241,563	4,131,880
Derivative financial instruments								
Foreign currency forward contracts		3,600	–	–	–	–	3,600	3,600

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or within 3 months HK$'000	3–12 months HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December HK$'000
2022								
Non-derivative financial liabilities								
Trade and other payables	N/A	578,189	174,350	–	–	–	752,539	752,539
Bank borrowings	1.14	2,539,779	22,697	345,664	508,710	10,879	3,427,729	3,393,853
Bonds	1.28	60,297	1,817	41,520	136,069	–	239,703	231,683
Amount due to an associate	N/A	19	–	–	–	–	19	19
Rental deposits	1.48	3,168	8,966	11,986	26,786	61,699	112,605	96,362
Sub-total		3,181,452	207,830	399,170	671,565	72,578	4,532,595	4,474,456
Lease liabilities	2.70	4,243	12,730	14,462	15,261	23,298	69,994	54,418
		3,185,695	220,560	413,632	686,826	95,876	4,602,589	4,528,874
Derivative financial instruments								
Foreign currency forward contracts		11,817	–	–	–	–	11,817	11,817

Bank borrowings with a repayment on demand clause are included in the "on demand or within 3 months" time band in the above maturity analysis. As at 31 December 2023, the aggregate amounts of these bank borrowings amounted to HK$309,740,000 (2022: HK$310,203,000). The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or within 3 months HK$'000	**3–12 months HK$'000**	**1–2 years HK$'000**	**2–5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amounts HK$'000**
2023							
Bank borrowings with a repayment on demand clause	**4,253**	**259,487**	**6,676**	**56,162**	**4,543**	**331,121**	**309,740**

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	On demand or within 3 months HK$'000	3–12 months HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2022							
Bank borrowings with a repayment on demand clause	368	15,989	254,902	56,966	–	328,225	310,203

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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39. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value measurements recognised in the consolidated statement of financial position

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2023 HK$'000	31.12.2022 HK$'000		
1. Listed equity securities classified as equity instruments at FVTPL	**327,898**	223,094	Level 1	Quoted bid prices in active markets.
2. Unquoted equity investments classified as equity instruments at FVTPL	**11,256**	41,987	Level 2	Recent transaction prices of the investments.
	58,263	–	Level 3	The fair value is measured based on the sharing percentage of net assets value. Discount of 0.7%–7.4% for market calibration of investment-transaction multiple and by reference to the share price of listed entities in similar industries. *(Note 1)*
	13,073	9,750	Level 3 (2022: Level 2)	Market approach. The fair value is measured based on option pricing method and equity allocation. (2022: Recent transaction price of the investment.)
3. Unquoted bond investment classified as debt instruments at FVTPL	**7,971**	–	Level 2	Recent transaction prices of the investments.
4. Listed equity securities classified as equity instruments at FVTOCI	**20,095**	16,112	Leve1 1	Quoted bid prices in active markets.

39. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2023 HK$'000	31.12.2022 HK$'000		
5. Unquoted equity investments classified as equity instruments at FVTOCI	**6,043**	18,857	Level 3 (2022: Level 2)	Income approach. The discount cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership, based on an appropriate discount rate. *(Note 2)* (2022: Recent transaction price of the investment.)
	12,229	12,327	Level 3	The fair value is measured based on the sharing percentage of net assets value. Discount of 0.7% for market calibration of investment-transaction multiple and by reference to the share price of listed entities in similar industries. *(Note 1)*
6. Foreign currency forward contracts classified as derivative financial instruments	**Liabilities 3,600**	Liabilities 11,817	Level 2	Discounted cash flows: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period.

Notes:

1. *An increase in the discount for market calibration of investment-transaction multiple would result in a decrease in the fair value measurement of unquoted equity investment, and vice versa.*

2. *An increase in the discount for lack of marketability or discount rate would result in a decrease in the fair value measurement of unquoted equity investment, and vice versa.*

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39. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI HK$'000
At 1 January 2022	24,240
Loss in other comprehensive income	(363)
Purchased	2,730
Disposal	(1,950)
Transfers out of level 3 *(Note 1)*	(12,330)
At 31 December 2022	**12,327**
Loss in other comprehensive income	**(98)**
Transfer into level 3 *(Note 2)*	**77,379**
At 31 December 2023	**89,608**

Notes:

1. *The valuation of unquoted equity is based on recent transaction price of the investment.*

2. *During the year, there were no recent transaction prices for the investments. Accordingly, those investments transfer out of level 2 and transfer into level 3.*

There were no other transfers between Level 1, 2 and 3 during both years.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair value.

The directors of the Company consider that the carrying amounts of long-term borrowing and bonds are approximate to their fair value as they are carried at variable market interest rates.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK$'000 *(note 31)*	**Bonds** HK$'000 *(note 32)*	**Dividend payable** HK$'000 *(note 13)*	**Lease liabilities** HK$'000 *(note 29)*	**Interest payables** HK$'000 *(note 27)*	**Loan from a related party** HK$'000	**Total** HK$'000
At 1 January 2022	3,896,456	262,783	—	64,943	4,130	—	4,228,312
Dividends declared	—	—	5,559	—	—	—	5,559
Dividends accrued to non-controlling interests	—	—	40,073	—	—	—	40,073
Interest accrued	47,121	3,044	—	1,311	5,385	99	56,960
Exchange realignment	(299,701)	(31,100)	—	(3,712)	—	—	(334,513)
Financing outflows	(250,023)	(3,044)	(45,632)	(19,377)	(2,674)	(99)	(320,849)
Interest transferred to rental deposit	—	—	—	—	(1,456)	—	(1,456)
New lease entered	—	—	—	11,253	—	—	11,253
At 31 December 2022	**3,393,853**	**231,683**	**—**	**54,418**	**5,385**	**—**	**3,685,339**
Dividends declared	**—**	**—**	**5,559**	**—**	**—**	**—**	**5,559**
Dividends accrued to non-controlling interests	**—**	**—**	**39,307**	**—**	**—**	**—**	**39,307**
Interest accrued	**69,208**	**2,300**	**—**	**1,800**	**5,574**	**89**	**78,971**
Exchange realignment	**(134,804)**	**(15,805)**	**—**	**(1,609)**	**—**	**—**	**(152,218)**
Financing outflows	**(305,384)**	**(75,014)**	**(44,866)**	**(19,709)**	**(4,018)**	**(89)**	**(449,080)**
Interest transferred to rental deposit	**—**	**—**	**—**	**—**	**(1,367)**	**—**	**(1,367)**
New lease entered	**—**	**—**	**—**	**23,679**	**—**	**—**	**23,679**
At 31 December 2023	**3,022,873**	**143,164**	**—**	**58,579**	**5,574**	**—**	**3,230,190**

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41. OPERATING LEASES

The Group as lessor

Certain properties held for rental purposes have committed leases for the next 1 month to 14.3 years (2022: 1 month to 16.5 years).

As at 31 December 2023 and 2022, minimum lease payments receivable on leases are as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**152,605**	177,759
In the second year	**128,767**	149,738
In the third year	**110,878**	130,898
In the fourth year	**94,831**	113,031
In the fifth year	**67,838**	100,223
After five year	**489,610**	648,717
	1,044,529	1,320,366

The Group leases out the hotel properties of which the land is under operating leases with fixed rentals payable monthly. The leases typically run for an initial period of 50 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as the lease is denominated in the functional currencies of group entities. The lease contract do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

42. CAPITAL COMMITMENTS

	2023 **HK$'000**	2022 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Refurbishment of investment properties	**5,892**	2,782

43. PLEDGE OF ASSETS

At the end of the reporting period,

(a) the Group's investment properties with carrying values of HK$3,272,114,000 (2022: HK$3,656,586,000) and property, plant and equipment of carrying values of HK$557,663,000 (2022: HK$571,456,000) were under legal charge to secure general banking facilities and the obligation under finance leases available to the Group;

(b) bank deposits of HK$323,234,000 (2022: HK$308,016,000) were pledged to secure bank loans drawn during the year; and

(c) certain shares of subsidiaries have been pledged to the banks as at 31 December 2023 and 2022 to secure several banking facilities available to the Group.

Restrictions on assets

Included in lease liabilities, there were HK$58,579,000 (2022: HK$54,418,000) which are recognised with related right-of-use assets of HK$38,823,000 (2022: HK$29,310,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

44. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2023 and 2022, the Group had the following transactions with associates.

Nature of transactions	**2023** **HK$'000**	2022 HK$'000
Service expenses	–	5,610

During the year ended 31 December 2023, the Group borrowed two short-term loans of total HK$30,000,000 (2022: HK$40,000,000) from a related company at interest rate from 5.5% (2022: 3.29% to 3.65%) per annum. The interest rate was reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest expense of total HK$30,089,000 (2022: HK$40,099,000) were fully repaid during the year ended 31 December 2023. The related party is under the control of ultimate controlling shareholders of the Company.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 12. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

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45. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2023 %	2022 %	Principal activities
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US$45,001	**100**	100	Investment holding
SiS Hospitality Holdings Limited	Cayman Islands	HK$10	**100**	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
SiS Mobile Holdings Limited	Cayman Islands	HK$28,000,000	**52.3**	52.3	Investment holding
SiS Tech Ventures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK$2	**100**	100	Property investment
Charmax Enterprises Limited	Hong Kong	HK$10	**100**	100	Property investment
Ever Wealthy Limited	Hong Kong	HK$1	**100**	100	Investment holding
Faith Prosper Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Gain Best Limited	Hong Kong	HK$1	**100**	100	Property investment
Gold Kite Limited	Hong Kong	HK$1	**100**	100	Investment holding
JP Hotel Management Limited	Hong Kong	HK$2	**100**	100	Investment holding
Qool Bangladesh Limited	Bangladesh	TK1,000,000	**99**	99	Investment holding
Qool Distribution (Thailand) Co., Ltd.	Thailand	THB200,000,000	**60.8**	60.8	Trading of mobile and IT products
Qool International Limited	Hong Kong	HK$1	**52.3**	52.3	Distribution of mobile phone products and IT products
QR Capital Limited	Hong Kong	HK$1	**100**	100	Property investment
SiS Technologies Pte. Ltd	Singapore	S$2	**100**	100	Distribution of IT and communication products
SiS Asia Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd.	Singapore	S$1	**100**	100	Investment holding
Sis Asset Management Pte. Ltd.	Singapore	S$1,070,000	**100**	100	Fund management activities
SiS Capital Limited	Hong Kong	HK$1	**100**	100	Investment holding
SiS Global Fund VCC	Singapore	US$1	**100**	100	Investment fund
SiS Global Fund II VCC	Singapore	US$1	**100**	100	Investment fund
SiS Capital (Bangladesh) Pte Ltd.	Singapore	S$2	**100**	100	Investment holding
SiS Distribution (Thailand) Public Company Limited	Thailand	THB350,198,655	**60.8**	60.8	Distribution of mobile and IT products and provision of services
SiS Hotel Management Co., Ltd.	Japan	JPY50,000,000	**100**	100	Investment holding
SiS HK Limited	Hong Kong	HK$400,000	**100**	100	Investment holding
SiS International Limited	Hong Kong	HK$1,000,000	**100**	100	Distribution of IT products and provision of services
SiS Japan Inn Tokutei Mokuteki Kaisha	Japan	JPY150,000	**100**	100	Property investment
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US$1	**100**	100	Investment holding
SiS SPAC Investment Fund Pte Ltd	Singapore	S$1	**100**	100	Investment fund
SiS Stargate Hotel Co., Ltd.	Japan	JPY10,000,000	**100**	100	Hotel operation
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S$2	**100**	100	Investment holding
SiSJP9 Tokutei Mokuteki Kaisha	Japan	JPY198,250,000	**100**	100	Property investment

45. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2023 %	2022 %	
Indirect subsidiaries: (continued)					
SiSJP10 Tokutei Mokuteki Kaisha	Japan	JPY302,500,000	100	100	Property investment
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	52.3	52.3	Distribution of mobile phone and related products
Thai Alliance Co., Ltd.	Thailand	THB4,800,000	96.6	96.6	Investment holding
Thai Hero Co., Ltd.	Thailand	THB2,600,000	93.2	93.2	Investment holding
Thai Joyful Co., Ltd.	Thailand	THB1,500,000	86.7	86.7	Investment holding
Thai Prosperity Co., Ltd.	Thailand	THB900,000	74.0	74.0	Investment holding
Thai Success Co., Ltd.	Thailand	THB600,000	49.0	49.0	Investment holding
Thai Investment Holdings Pte. Ltd.	Singapore	US$1	100	100	Investment holding
Tokutei Mokuteki Kaisha SSG8	Japan	JPY470,000,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG13	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG23	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG11	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG20	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG21	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG28	Japan	JPY200,000	100	100	Property investment
Vsceptre Limited	Hong Kong	HK$1,000,000	70	–	Distribution of IT products and provision of services
Odysis Suites Osaka Operations Co., Ltd.	Japan	JPY8,000,000	100	100	Hotel operation
Odysis Sapporo Operations Co., Ltd.	Japan	JPY3,000,000	100	100	Hotel operation
Odysis Onna Operations Co., Ltd	Japan	JPY3,000,000	100	–	Hotel operation

Except for the bonds stated in note 32, none of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

45. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests as at 31 December 2023 and 2022.

Name of subsidiary	Place of incorporation or registration/ operation	Proportion of nominal value of issued capital held by the Company		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2023 %	2022 %	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
SiS Mobile Holdings Limited	Hong Kong	**52.3**	52.3	**4,298**	10,233	**77,829**	79,294
SiS Distribution (Thailand) Public Company Limited	Thailand	**60.8**	60.8	**57,152**	60,543	**338,383**	314,826
Individually immaterial subsidiaries with non-controlling interest				**10,243**	(4,381)	**221,139**	174,067
				71,693	66,395	**637,351**	568,187

SiS Mobile Holdings Limited

Summarised financial information in respect of SiS Mobile that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 HK$'000	2022 HK$'000
Non-current assets	**19,669**	14,054
Current assets	**212,393**	191,921
Current liabilities	**(64,555)**	(47,412)
Non-current liabilities	**(4,191)**	—
	163,316	158,563
Equity attributable to owners of the Company	**85,487**	79,269
Non-controlling interests	**77,829**	79,294
	163,316	158,563
Revenue	**1,935,876**	1,837,386
Expenses	**(1,926,866)**	(1,815,934)
Profit for the year	**9,010**	21,452

45. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that has material non-controlling interests (Continued)

SiS Mobile Holdings Limited (Continued)

	2023 HK$'000	2022 HK$'000
Profit for the year attributable to:		
— owners of the Company	**4,712**	11,219
— non-controlling interests	**4,298**	10,233
Profit for the year	**9,010**	21,452
Other comprehensive income (expense)	**1,343**	(264)
Total comprehensive income for the year attributable to:		
— owners of the Company	**5,415**	11,081
— non-controlling interests	**4,938**	10,107
Total comprehensive income for the year	**10,353**	21,188
Net cash from operating activities	**31,913**	30,739
Net cash from investing activities	**660**	2,095
Net cash used in financing activities	**(8,197)**	(2,747)

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

45. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that has material non-controlling interests (Continued)

SiS Distribution (Thailand) Public Company Limited

Summarised financial information in respect of SiS Distribution (Thailand) Public Company Limited that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 HK$'000	2022 HK$'000
Non-current assets	227,101	163,148
Current assets	2,099,256	2,267,759
Current liabilities	(1,423,734)	(1,598,041)
Non-current liabilities	(43,160)	(34,596)
	859,463	798,270
Equity attributable to owners of the Company	521,080	483,444
Non-controlling interests	338,383	314,826
	859,463	798,270
Revenue	6,132,169	6,455,459
Other income	26,779	15,848
Expenses	(6,013,264)	(6,316,980)
Profit for the year	145,684	154,327
Profit for the year attributable to:		
— owners of the Company	88,532	93,784
— non-controlling interests	57,152	60,543
Profit for the year	145,684	154,327
Total comprehensive income for the year attributable to:		
— owners of the Company	93,243	78,292
— non-controlling interests	60,193	50,542
Total comprehensive income for the year	153,436	128,834
Dividends paid to non-controlling interests	36,636	36,473
Net cash from operating activities	390,330	209,648
Net cash used in investing activities	(4,331)	(179)
Net cash used in financing activities	(363,866)	(250,420)

46. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
Non-current Assets		
Interests in subsidiaries	13,163	13,163
Amounts due from subsidiaries	1,064,816	955,010
Financial instruments at FVTPL	96,596	45,985
	1,174,575	1,014,158
Current Assets		
Amounts due from subsidiaries	795,645	839,043
Other assets	933	893
Equity instruments at FVTPL	246	257
Bank balances and cash	15,921	99,241
	812,745	939,434
Current Liabilities		
Other payables and accruals	22,495	23,876
Bank borrowings	229,667	240,148
Amounts due to subsidiaries	554,140	569,494
	806,302	833,518
Net Current Assets	6,443	105,916
Net Assets	1,181,018	1,120,074
Capital and Reserves		
Share capital	27,797	27,797
Share premium	73,400	73,400
Other reserves *(Note below)*	1,079,821	1,018,877
Total Equity	1,181,018	1,120,074

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in other reserves are presented below:

	Share options reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	3,695	29,186	1,025,844	1,058,725
Loss and total comprehensive expense for the year	–	–	(39,848)	(39,848)
At 31 December 2022	**3,695**	**29,186**	**985,996**	**1,018,877**
Profit and total comprehensive income for the year	**–**	**–**	**60,944**	**60,944**
Transfer upon lapse of share options	**(396)**	**–**	**396**	**–**
At 31 December 2023	**3,299**	**29,186**	**1,047,336**	**1,079,821**

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements is set out below.

RESULTS

	For the year ended 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Revenue	6,415,933	7,576,117	10,999,242	9,227,729	**9,067,962**
Profit (loss) before taxation	157,777	(297,943)	274,305	178,881	**239,321**
Income tax (expense) credit	(36,565)	44,092	(62,984)	(68,026)	**(78,909)**
Profit (loss) for the year	121,212	(253,851)	211,321	110,855	**160,412**
Attributable to:					
Owners of the Company	78,781	(310,035)	115,106	44,460	**88,719**
Non-controlling interests	42,431	56,184	96,215	66,395	**71,693**
	121,212	(253,851)	211,321	110,855	**160,412**

ASSETS AND LIABILITIES

	At 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Total assets	9,329,183	9,119,715	9,637,970	8,840,451	**8,601,309**
Total liabilities	(5,355,963)	(5,408,638)	(5,739,060)	(4,915,617)	**(4,548,673)**
Net assets	3,973,220	3,711,077	3,898,910	3,924,834	**4,052,636**
Attributable to:					
Owners of the Company	3,610,212	3,308,530	3,362,157	3,356,647	**3,415,285**
Non-controlling interests	363,008	402,547	536,753	568,187	**637,351**
	3,973,220	3,711,077	3,898,910	3,924,834	**4,052,636**

Particulars of Investment Properties

AT 31 DECEMBER 2023

Name of property and location	Lease terms	Use
Singapore		
#01–08 23 Dalvey Estate Singapore	Freehold	Residential
#03–07 23 Dalvey Estate Singapore	Freehold	Residential
Hong Kong		
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor 9 Queen's Road Central Hong Kong	Long-term lease	Commercial
6 Carparking spaces and carport basement 9 Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
33rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office

Particulars of Investment Properties

AT 31 DECEMBER 2023

Name of property and location	Lease terms	Use
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Flat B, 7/F., Ming Kung Mansion Kam Din Terrence 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
31st Floor, No. 1 Hung To Road Kwun Tong Hong Kong	Medium-term lease	Industrial/Office
Thailand		
74 Soi Thoet Rachan 11, Thoet Rachan Road, Si Kan Sub-district Dong Mueang District, Bangkok	Freehold	Commercial
Sai Banchalung Road — Bannamtoktonpli, Saihadyai — Tarchamuang (T.L. 4287), Tombon Chalung, Amphoe Hadyai Songkhla Province	Freehold	Land
Room No. 65/215–216 Floor 26, Chamnan Phenjati Business Center Building Rama 9 Road, Huay Kwang District, Bangkok	Freehold	Office
Japan		
SiS Rinku Tower 1, Rinku Ourai Kita Izumisano City, Osaka Japan	Freehold	Commercial and hotel

Particulars of Investment Properties

AT 31 DECEMBER 2023

Name of property and location	Lease terms	Use
Toyoko Inn Naha Asahi-bashi Ekimae 1–20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2–4–28, Korinbo Kanazawa City, Ishikawa Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1–1 Akashicho Hiratsuka City, Kanagawa Japan	Freehold and medium-term lease	Hotel
Toyoko Inn Niigata Furumachi 1168–2, 7-bancho, Kamiokawamaedori Chuo-ku Niigata City, Niigata, Japan	Freehold	Hotel
Toyoko Inn Tokushima Ekimae 1–5, Ryogokuhoncho Tokushima City, Tokushima Japan	Freehold	Hotel
Dormy Inn Premium Otaru 3–9–1, Inaho Otaru City, Hokkaido Japan	Freehold	Hotel
Hotel BRS Hakodate Goryokaku Tower Mae 35–3, Goryokaku-cho Hakodate City, Hokkaido Japan	Freehold	Hotel

Particulars of Investment Properties

AT 31 DECEMBER 2023

Name of property and location	Lease terms	Use
49–1, Nichome, Sanjo-dori Ohashi-higashi, Higashiyama-ku Kyoto City, Kyoto Japan	Freehold	Hotel
SK Kashiwa Building 14–1, Suehirocho Kashiwa City, Chiba Japan	Freehold	Commercial and hotel
Piece Hostel Kyoto 21–1, Higashisannocho, Higashikujo, Minami-ku Kyoto City, Kyoto Japan	Freehold	Hostel
Piece Hostel Sanjo East 530 Asakuracho, Tominokoji-dori Sanjo-Sagaru, Nakagyo-ku Kyoto City, Kyoto, Japan	Freehold	Hostel
Piece Hostel Sanjo West 531, Asakuracho, Tominokoji-dori Sanjo-Sagaru, Nakagyo-ku Kyoto City, Kyoto Japan	Freehold	Hostel
Unwind Hotel & Bar Otaru, 8–25, 1-chome, Ironai, Otaru City, Hokkaido Japan	Freehold	Hotel
Unwind Hotel & Bar Sapporo 289–111, Nishi 5-chome Minami 8-jo, Chuoku Sapporo City, Hokkaido Japan	Freehold	Hotel

Particulars of Investment Properties

AT 31 DECEMBER 2023

Name of property and location	Lease terms	Use
Hotel Radiant 3876, Kamikijima Kijimadira Village Shimotakai City Nagono, Japan	Freehold	Hotel
1482–104, Shinwakawura Wakayana City, Wakayama, Japan	Freehold	Hotel
Properties held for hotel operation		
Best Western Sapporo-odorikoen 2–36, 8-chome, Odorinishi Chuo-ku Sapporo City, Hokkaido Japan	Freehold	Hotel
Hotel Sun Plaza Sakai Annex 1–20, 1-cho, Ryujinbashi-cho Sakai-ku, Sakai City Osaka, Japan	Freehold	Hotel
Imano Tokyo Hostel 5–12–2, Shinjuku Shinjuku-ku Tokyo, Japan	Freehold	Hostel
Odysis Onna Resort Hotel 2620, Aza Nakawa, Onna Village Kunigami-gun, Okinawa, Japan	Freehold	Hotel