



添利工業國際(集團)有限公司*

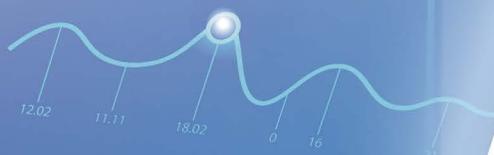
Termbray Industries International (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00093

ANNUAL REPORT

2022



X Wallet



* For identification purpose only



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lee Lap, Chairman
Mr. Tommy Lee, Vice Chairman &
Chief Executive Officer
Mr. Chau Hau Shing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shu Wa Tung, Laurence
(appointed on 15 April 2022)
Mr. Wu Wai Pan (appointed on 10 June 2022)
Ms. Chak Wai Ting (appointed on 9 November 2022)
Mr. Lo Yiu Hee (retired on 10 June 2022)
Mr. Tong Hin Wor (resigned on 12 August 2022)
Mr. Ching Yu Lung (resigned on 15 April 2022)

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Shu Wa Tung, Laurence
(appointed on 15 April 2022)
Mr. Wu Wai Pan (appointed on 10 June 2022)
Ms. Chak Wai Ting (appointed on 9 November 2022)
Mr. Lo Yiu Hee (retired on 10 June 2022)
Mr. Tong Hin Wor (resigned on 12 August 2022)
Mr. Ching Yu Lung (resigned on 15 April 2022)

REMUNERATION COMMITTEE

Mr. Shu Wa Tung, Laurence
(appointed on 10 June 2022)
Mr. Lee Lap
Mr. Wu Wai Pan (appointed on 12 August 2022)
Mr. Lo Yiu Hee (retired on 10 June 2022)
Mr. Tong Hin Wor (resigned on 12 August 2022)

NOMINATION COMMITTEE

Mr. Lee Lap
Mr. Shu Wa Tung, Laurence
(appointed on 10 June 2022)
Mr. Wu Wai Pan (appointed on 12 August 2022)
Mr. Lo Yiu Hee (retired on 10 June 2022)
Mr. Tong Hin Wor (resigned on 12 August 2022)

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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183 Queen's Road Central, Sheung Wan
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Website: www.termbray.com.hk

HONG KONG REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Telephone: (852) 2980 1768
Facsimile: (852) 2528 3158

LISTING INFORMATION

The listing code of the Company's shares on
The Stock Exchange of Hong Kong Limited
00093

PRINCIPAL BANKER

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Dah Sing Bank, Limited

LEGAL ADVISORS IN HONG KONG

Woo Kwan Lee & Lo
26/F, Jardine House
1 Connaught Place, Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

CHAIRMAN'S STATEMENT



LEE LAP
Chairman

RESULTS

I hereby report to the shareholders the results of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31 December 2022. During the year, the Group recorded a profit for the year of HK\$15,189,000 compared with a profit for the year ended 31 December 2021 of HK\$21,267,000.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 June 2022 (30 June 2021: Nil).

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2022 (31 December 2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") is scheduled to be held on Thursday, 15 June 2023. To determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 9 June 2023 to Thursday, 15 June 2023 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 8 June 2023.



CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

Property Development and Investment

The Group's completed properties for sale – Ever Success Plaza, comprising over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition in the property market in Zhongshan is keen as there are abundant supplies of properties with modern design. Although the commercial arcades are still vacant, the management has put a lot of efforts into marketing the properties and is endeavouring to improve the operation of the commercial arcades.

There was not much improvement in the operating environment in the year of 2022. The sales activities of the Group's property project in Zhongshan for the remaining residential units were not satisfactory during the year due to the COVID-19 pandemic continuing in the year of 2022.

During the year of 2022, no sale transactions were approved and registered in the government's property sale system. The Group had no sale of residential unit during the year of 2022 (2021: 2 units). The rental income earned by the Group from Ever Success Plaza during the year ended 31 December 2022 decreased by approximately 8% compared with the year ended 31 December 2021. As at 31 December 2022, 56 residential units remained to be sold, out of which 7 residential units were let out.

Money Lending

In order to provide 24/7 borrowing experience, customers can apply for loans via the Group's automatic lending mobile application "X Wallet" App (the "X Wallet"), which is for unsecured loans only. The Group primarily focuses its sales and marketing effort on sourcing new customers for unsecured loans, including advertising through public transportation, outdoor banner, television, online media platforms, pamphlets and other marketing campaigns. The whole lending process through X Wallet involves no human intervention. Basically, it requires the provision of Hong Kong Identity Card and facial recognition, and offers loans using information technology such as big-data and credit scoring model. The loan facilities granted through X Wallet are all revolving loan facilities which could be repaid and re-borrowed within the approved credit limit at any time during the loan period, the majority of which ranged from 2 years to 7 years. The maximum amount of unsecured loan applied through X Wallet could be as high as HK\$105,000.

CHAIRMAN'S STATEMENT

The number of registered users of X Wallet increased from 62,765 as at 31 December 2021 to 83,902 as at 31 December 2022. The number of active customers of X Wallet increased from 8,269 as at 31 December 2021 to 10,969 as at 31 December 2022. The increase in number of active customers improved the results of unsecured loans and generated revenue of approximately HK\$118,299,000 during the year ended 31 December 2022 (2021: HK\$53,782,000).

The majority of interest rates for unsecured loans granted via X Wallet ranged from 36% to 58% per annum and the weighted average interest rate charged was approximately 42% per annum. Loan amounts for unsecured loans granted via X Wallet ranged from HK\$5,000 to HK\$105,000.

The Group also focuses on providing mortgage loans to customers for purchase of residential properties in Hong Kong. Though there was a general recovery of the economy, the overall economic activity remained below the pre-pandemic level and the loan demand remained relatively subdued. The management will cautiously carry out the money lending business in Hong Kong. With the economic uncertainty and potential challenges, the management will carefully assess the credit worthiness of the borrowers as well as the quality and leverage of the mortgaged properties.

For mortgage loans, lower interest rates are charged compared to unsecured personal credit loans. The Group engaged mortgage referral agents, which are all independent third parties, to source new customers. The tenure of the majority of the mortgage loans ranged from 10 years to 20 years and the actual tenure may differ subject to customer's early repayment.

The majority of interest rates for secured loans granted ranged from 9% to 18% per annum and the weighted average interest rate charged was approximately 12% per annum. The majority of the collateral are residential properties and commercial properties, and all of the collaterals are located in Hong Kong. Loan amounts for secured loans granted ranged from HK\$80,000 to HK\$20,500,000.

As at 31 December 2022, the number of mortgage loans customers was 77, of which the top 10 customers represented 46.1% of total mortgage loan receivables, and the number of X Wallet customers was 10,969, of which top 10 customers represented 0.3% of total loan receivables from X Wallet. The largest and five largest customers accounted for 4.4% and 13.3% respectively of the total loan receivables as at 31 December 2022.

Credit risk assessment policy

All of the information provided by customers are required to undergo assessment procedures and will be reviewed according to the credit risk assessment policy approved by the Board before standard payment terms and conditions are offered.



CHAIRMAN'S STATEMENT

For secured loans pledged by properties, the credit clerk will obtain all mandatory information and supporting documents from the applicant. To assess the credit risk of each applicant, the credit committee takes into account the applicant's credit history, the property type, valuation, loan-to-value ratios and overall market conditions at the time of application.

For unsecured loans applied via X Wallet, the Group assesses the credit quality of applicants by collecting relevant customer information such as Optical Character Recognition, facial recognition, live testing and credit report through the mobile devices. The Group has established a robust control framework regarding the authorization structure for the approval and renewal of credit facilities, which also limits concentrations of exposure by types of asset, counterparties, credit rating, geographic location, etc.

The Group has also developed policies and procedures to appropriately assess and measure the Expected Credit Loss ("ECL") in accordance with impairment requirements of HKFRS 9. Details of the movement of provision for impairment and written-off of loan and interest receivables are disclosed in Note 10 to the consolidated financial information.

As at 31 December 2022, the net loan and interest receivables of the Group amounted to HK\$536,285,000 and HK\$7,184,000, respectively. The provision for impairment of loan and interest receivables as at 31 December 2022 under the ECL model amounted to HK\$49,925,000.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supporting information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative factors are taken into account in determining the risk of default occurring:

- (1) probable bankruptcy entered by the borrowers; and
- (2) death of the debtor.

During the year ended 31 December 2022, the Group had written off loan and interest receivables totalling approximately HK\$29,081,000, net of recoveries of loan and interest receivables previously written-off, based on the (1) bankruptcy of the borrowers, and (2) death of the debtors.

Internal Control Procedures

The following internal control measures have been implemented for the carrying out the Group's money lending business:

Credit approval process

For secured loans, the credit clerk will obtain basic information such as the applicant's name, contact details, background information, desired loan amount and purpose of the loan, and the particulars of the property proposed to be mortgaged. The credit clerk will also obtain three preliminary estimates of valuations of the property from independent professional property valuers or banks either verbally or through internet or email. The credit officer will perform a preliminary review and verification of the application materials. The credit committee will then review the application and determine the amount of loan and the interest rate based on the applicant's information and the valuation of the property in accordance with the internal credit policies and guidelines.

For unsecured loan applications through X Wallet, the credit approval is automatically processed by the established credit assessment model in the system. Credit reports of the applicant will be automatically retrieved from TransUnion through the Application Programming Interface. Applications will be screened by the credit scoring model which will generate a risk score in respect of each applicant based on the TransUnion report and information supplied by the applicant. Once the loan is approved, the terms of the loan including loan amount, interest rate and tenure will be determined specifically for each applicant. Otherwise, no loan would be offered if the applicant could not pass the credit assessment.

Ongoing monitoring of loan recoverability and loan collection

A system is in place to identify and monitor overdue loan accounts. The directors and senior management of the Group closely monitor the overall performance of the loans outstanding by checking systematically generated daily reports, and regularly review the whole collection performance of overdue assets. The debt recovery department is responsible for loan collection and it seeks management's opinion for further actions when necessary. The debt recovery department will contact the customer by phone if the account is overdue, and at the same time, notice of overdue payment will be issued to the customer. If the respective receivables have not been repaid in time, the debt recovery department will engage external debt collection agents to collect the debt. For secured loans, the debt recovery department will discuss legal actions to be taken with the management.



CHAIRMAN'S STATEMENT

For loans overdue for more than 90 days, the Group will consider the loan assets to be in default, the status of the respective outstanding loan will be fully provided for, but such cases will still continue to be handled by external debt collection agents (unless the debtor has become bankrupt, subject to any debt restructuring, or if the debtor is deceased).

OUTLOOK

The COVID-19 pandemic continuously impacted Hong Kong in the year of 2022, and the situation suddenly turned worse with the outbreak of the fifth wave of COVID-19 pandemic in early 2022. However, following the implementation of the “vaccine pass” with COVID-19 vaccination records and a series of anti-epidemic measures taken by the Hong Kong government, the number of infected cases returned to a low level and the vaccination rate had continuously increased. In mid-December 2022, having assessed the epidemic development and taking into consideration the need for resuming social and economic activities, the Hong Kong government announced the lifting of the relevant requirements for “LeaveHomeSafe”, “vaccine pass”, rapid nucleic acid test arrangement at control points for persons travelling to the PRC and adjusting of the local testing strategies. Moreover, with effect from 1 March 2023, all mandatory mask-wearing requirements were lifted, and it is believed that society will be able to resume normal in full.

Under the anti-epidemic measures, people’s living habits have been constantly changed to “work from home”, “social distancing” and have become more digitalised and more used to online consumption, which have brought unique advantages to the Group’s financial technology lending business. Individuals’ demand for unsecured loan services supported by financial technology is growing. The Group will continuously capture this opportunity and expand our market share and customer base. The management expects that this will stimulate the development of the personal loan business via X Wallet, which is a fully automated mobile application that provides instant approval decision and 24 hours a day, 7 days a week instant fund transfer. With the support of the mobile application technology, the Group’s money lending business is expected to grow steadily.

The Group will further expand the loan portfolio of X Wallet and diversify its offerings to optimise the lending experience for customers, in order to enhance its unsecured loan market segment competitiveness. Meanwhile, the Group will strengthen its secured loan business development by offering more unique and quality mortgage loan products and services to its customers.

With a number of challenges including global economy slowdown, inflation, Russo-Ukrainian War, rising energy prices faced globally and in Hong Kong, the gloomy economic outlook and market instability are expected to remain, and the Group will actively review its loan portfolio and risk control status, conduct more comprehensive assessments of collaterals and exercise stringent loan application requirements to minimise default risk. Looking ahead, the Group will adhere to its core risk management and endeavour to improve and perfect its risk pricing model, and will adopt a variety of marketing strategies to popularize the brand of X Wallet to achieve greater market recognition.

CHAIRMAN'S STATEMENT

In the PRC, Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe the PRC will continue to play a key role in the future global economy. The Group is confident in capitalising on these opportunities and will grasp every business opportunity available to build up its own distinctive strength and to explore new businesses in the PRC.

Property development and investment has been the principal business of the Group for all these years and the Group is looking for investment opportunities in the property markets in the PRC, especially the Guangdong province. However, due to the intense competition of the property market in the Guangdong province, the Group has not yet acquired any land or properties during the year, but the Group will still continue to explore investment opportunities in the property markets.

Lee Lap

Chairman

30 March 2023



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group recorded a revenue of HK\$162,870,000 and a profit of HK\$15,189,000 for the year ended 31 December 2022, compared with a revenue of HK\$112,435,000 and profit of HK\$21,267,000 for the year ended 31 December 2021.

PROFIT FOR THE YEAR

The profit for the current year is primarily due to the aggregate effect upon recognition of the following items:

- (i) interest income from the money lending business recorded of approximately HK\$159.3 million for the current year (2021: HK\$107.0 million), representing an increase of approximately HK\$52.3 million as compared with the year ended 31 December 2021;
- (ii) net charge for provision for impairment on loan and interest receivables of approximately HK\$28.7 million and write-off, net off recovery, of approximately HK\$29.1 million; and
- (iii) fair value losses of approximately HK\$19.5 million on the investment properties.

REVENUE

Disaggregation of revenue from contracts with customers

	2022 HK\$'000	2021 HK\$'000
Interest income from money lending business	159,318	106,979
Rental income from investment property and completed properties for sale	3,552	3,691
Sale of properties in the PRC	–	1,765
	162,870	112,435

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. The CODM is identified as the executive directors of the Company.

During the year ended 31 December 2022, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

- Property development and investment – Property development for sale of properties in the PRC and property investment for letting of properties in Hong Kong and the PRC.
- Money lending – Provide mortgage and personal loan financing to customers.

The CODM reviews the performance of the Group on a regular basis and reviews the Group’s internal reporting in order to assess performance and allocate resources.

Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

The segment results and other segment items are as follows:

	Property development and investment HK\$’000	Money lending HK\$’000	Total HK\$’000
For the year ended 31 December 2022			
Revenue	3,552	159,318	162,870
Segment results	(16,466)	48,492	32,026
Unallocated other income			89
Unallocated other losses, net			(52)
Unallocated expenses			(7,270)
Profit before income tax			24,793



MANAGEMENT DISCUSSION AND ANALYSIS

	Property development and investment HK\$'000	Money lending HK\$'000	Total HK\$'000
For the year ended 31 December 2021			
Revenue	5,456	106,979	112,435
Segment results	564	41,934	42,498
Unallocated other income			19
Unallocated other gains, net			1,054
Unallocated expenses			(11,834)
Profit before income tax			31,737

For the years ended 31 December 2022 and 2021, unallocated expenses and unallocated other gains and losses represent corporate expenses and unrealised net exchange gains/(losses), respectively. Segment results represent the profit/(loss) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measurement reported to the CODM for the purpose of resource allocation and performance assessment.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers is presented based on the locations where the ownership of the goods are transferred and services are rendered:

	Revenue from external customers	
	2022 HK\$'000	2021 HK\$'000
Hong Kong	161,178	108,839
The PRC	1,692	3,596
	162,870	112,435

A more detailed analysis of the Group's segment information is set out in Note 5 to the consolidated financial statements.



MANAGEMENT DISCUSSION AND ANALYSIS

RETURN ON CAPITAL EMPLOYED

The Group's aim is to increase shareholders' value. The extent to which this goal has been achieved is assessed by computing Return on Capital Employed ("ROCE") over the year and comparing this measure from one year to the next, as it is a measure of how well the money invested in the business is providing a return to the investors.

ROCE measures the operating result as a percentage of the average total capital employed (invested) in the business over the year. The Group uses "earnings before interest, tax, depreciation and amortisation" as a measure of operating result for this purpose. The Group considers its "capital" to comprise equity plus non-current debt financing. Figures from the consolidated financial statements of the Group are used to calculate the ROCE.

	2022 HK\$'000	2021 HK\$'000
Operating result for calculation of ROCE		
Profit before income tax	24,793	31,737
Add: interest expense, depreciation and amortisation charges	13,482	16,139
	38,275	47,876
Capital employed		
Equities	1,092,107	1,122,902
Add: non-current debt financing	–	146,742
	1,092,107	1,269,644
Average capital employed (Opening capital employed + closing capital employed)/2	1,180,876	1,298,124
Consolidated ROCE (%)	3.24%	3.69%

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group remained cash-sufficient and there were no material capital expenditure commitments other than the purchase consideration payable of HK\$153 million under the acquisition of aEasy Credit Investment Limited together with its subsidiaries. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK\$167 million and accounted for approximately 52% of total current assets.

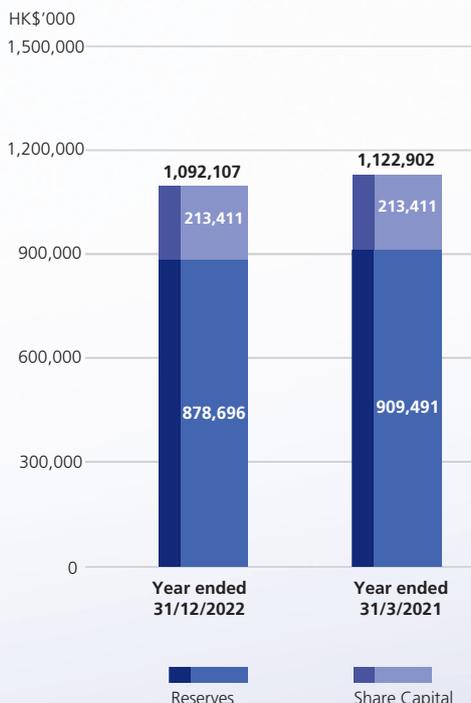
The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the consolidated statement of financial position.

The Group was in a net debt position as at 31 December 2022 and 2021.

The Group mainly operates in the PRC and Hong Kong, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. No financial instrument is arranged for hedging purposes in respect of interest rate and currency.

CAPITAL STRUCTURE

As at 31 December 2022, the Group's operations were financed by capital and reserves.





MANAGEMENT DISCUSSION AND ANALYSIS

OTHERS

There were no acquisitions of major subsidiaries or associates during the year ended 31 December 2022.

ORDER BOOK

Due to its business nature, the Group has no order book as at 31 December 2022. The Group has no new products and services to be introduced to the market.

ENVIRONMENTAL POLICIES AND PERFORMANCE

With regard to the environmental policies, the Group aims to minimize the Group's environmental impact. The Group has adopted various environmental protection measures to increase energy efficiency, reduce carbon emission and to improve efficiency of water usage. These measures are regularly reviewed and results are closely monitored.

A separate report containing the prescribed information of environmental, social and governance ("ESG") matters will be published on the same day of publication of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, as far as the directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

RELATIONSHIP WITH MAJOR CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its customers and suppliers to meet its immediate and long term goals.

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 4.3% and 8.3% respectively of the Group's revenue for the year. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

During the year, the Group has not made any purchases other than overhead expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as the connected transaction disclosed in pages 31 to 32 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

The Group maintains good relationships with its customers and suppliers. During the year ended 31 December 2022, there was no significant dispute between the Group and its suppliers and/or customers, except for the recovery actions against customers in their ordinary course of money lending business.

RELATIONSHIP WITH STAFF AND EMOLUMENT POLICY

One of most important resources of the Group is employees. It is the Group's policy to comply with all applicable laws and regulations, including those concerning employment, compensation, minimum wages, occupational safety and privacy. The Group strictly prohibits discrimination or harassment against any employee because of the individual's race, religion, gender, age, or any status protected by law. The Group also values good conduct of employees and has set out clear guidelines to prevent bribery and to regulate the acceptance of benefits by the employees.

As at 31 December 2022, the Group employed 51 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his/her associates, and executive is involved in determining his/her own remuneration.



DIRECTORS' REPORT

The Board of the Company presents its annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries during the year ended 31 December 2022 were property development and investment in Hong Kong and the PRC and money lending business in Hong Kong.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 4 to 11 and the Management Discussion and Analysis set out on pages 12 to 19 of this annual report. This discussion forms part of this Directors' Report.

Besides, details of financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements on pages 85 to 100. There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

RESULTS

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 61 to 146.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 June 2022 (30 June 2021: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (31 December 2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Thursday, 15 June 2023. To determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 9 June 2023 to Thursday, 15 June 2023 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 8 June 2023.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 29 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in Note 16 and Note 17 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major properties are set out on page 147.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 64.

DONATIONS

During the year ended 31 December 2022, the Group had not made any charitable and other donations (31 December 2021: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 148 to 150.



DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2022 were as follows:

	HK\$'000
Contributed surplus	191,810
Retained earnings	150,459
	342,269

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:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

DIRECTORS

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

Executive Directors

Mr. Lee Lap
Mr. Tommy Lee
Mr. Chau Hau Shing

Independent Non-Executive Directors

Mr. Shu Wa Tung, Laurence (appointed on 15 April 2022)

Mr. Wu Wai Pan (appointed on 10 June 2022)

Ms. Chak Wai Ting (appointed on 9 November 2022)

Mr. Lo Yiu Hee (retired on 10 June 2022)

Mr. Tong Hin Wor (resigned on 12 August 2022)

Mr. Ching Yu Lung (resigned on 15 April 2022)

Mr. Chau Hau Shing and Mr. Shu Wa Tung, Laurence, being the directors longest in office since their last re-election, shall retire by rotation in accordance with the Company's Bye-law 99(A). Mr. Wu Wai Pan and Ms. Chak Wai Ting, as new directors appointed during the year, shall retire in accordance with the Company's Bye-Law 102(B). All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company pursuant to paragraph 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Mr. Lee Lap has a service contract with the Company for service as an executive director which is terminable by either party giving to the other party not less than six months' prior notice in writing.

Mr. Tommy Lee and Mr. Chau Hau Shing have respectively a service contract with the Company for service as an executive director which is terminable by either party giving to the other party not less than three months' prior notice in writing.

Mr. Shu Wa Tung, Laurence, Mr. Wu Wai Pan and Ms. Chak Wai Ting, the independent non-executive directors, have each entered into an appointment letter with the Company for service as an independent non-executive director for a term of 2 years from their dates of appointment on (i) 15 April 2022, (ii) 10 June 2022 and (iii) 9 November 2022 respectively.

Other than the aforesaid, none of the directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.



DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 80, is the Chairman of the Company and also a member of the remuneration committee and the Chairman of the nomination committee of the Board of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in PRC.

Mr. Tommy Lee, aged 46, is the Vice Chairman and Chief Executive Officer of the Company since 2008 and 2010 respectively. He is the son of Mr. Lee Lap. He studied Economics in the Seneca College in Canada. Mr. Lee had been the Vice President of a private company which is principally engaged in the manufacture and sale of printed circuit board and he was responsible for the overall management and strategic planning of such private company. Mr. Tommy Lee resigned as the non-executive director of Petro-king Oilfield Services Limited and director of Guangdong Ellington Electronics Technology Company Limited with effect from 21 April 2021 and 17 December 2021 respectively.

Mr. Chau Hau Shing, aged 46, was appointed as an executive director on 8 April 2021. He is the executive director and president of Zero Finance Hong Kong Limited ("Zero Finance"), a wholly-owned subsidiary of the Company. Mr. Chau has worked in the money lending industry for more than 20 years since 1996 and has gained extensive experience in the industry. He worked in well-known enterprises of the industry based in Hong Kong and the PRC, such as Prime Credit Limited and United Asia Finance Limited in which he had led the overall construction and strategic planning of the money lending business system. He has profound market insight and research in fields such as risk management, finance and credit. He has been employed by an entity controlled by Mr. Tommy Lee, the Vice Chairman, Chief Executive Officer and substantial shareholder of the Company, since April 2014 and act in the capacity of the president of Zero Finance.

Independent Non-executive Directors

Mr. Shu Wa Tung, Laurence, aged 50, was appointed as an independent non-executive director of the Company and a member of the audit committee of the Board of the Company on 15 April 2022. Mr. Shu was also appointed as members of the remuneration committee and the nomination committee and as chairman of the audit committee and the remuneration committee of the Board of the Company on 10 June 2022. Mr. Shu has over 20 years of experience in audit, corporate finance and financial management. He is an independent non-executive director of Chengdu Expressway Co., Ltd. (a company listed on the Stock Exchange, stock code: 1785) since November 2016, Riverine China Holdings Limited (a company listed on the Stock Exchange, stock code: 1417) since November 2017, Twintek Investment Holdings Limited (a company listed on the Stock Exchange, stock code: 6182) since December 2017 and Goldstream Investment Limited (a company listed on the Stock Exchange, stock code: 1328) since December 2019.

DIRECTORS' REPORT

Mr. Shu was an accountant, a semi-senior accountant of assurance & advisory department, a senior accountant of corporate advisory services department, and a senior accountant, associate manager and manager of reorganization services group of Deloitte Touche Tohmatsu from March 1994 to October 2000. From July 2001 to November 2002, he was a manager of Deloitte & Touche Corporate Finance Ltd (a corporate finance service company of Deloitte Touche Tohmatsu). From November 2002 to April 2005, he was an associate director of Goldbond Capital (Asia) Limited. He was the chief financial officer and the company secretary of Texhong Textile Group Limited (a company listed on the Stock Exchange, stock code: 2678) from May 2005 to July 2008, overseeing the group's financial management functions. Mr. Shu served as the chief financial officer of Jiangsu Rongsheng Heavy Industries Holding Co., Ltd (江蘇榕盛重工控股有限公司) from July 2008 to June 2010. He served as the chief financial officer of Petro-king Oilfield Services Limited (a company listed on the Stock Exchange, stock code: 2178) from July 2010 to July 2018. From August 2018 to November 2019, Mr. Shu was the chief financial officer of Brainhole Technology Limited (formerly known as Top Dynamic International Holdings Limited) (a company listed on the Stock Exchange, stock code: 2203). He joined ContiOcean Environment Tech Co., Ltd. as the chief financial officer since September 2020.

Mr. Shu graduated from Deakin University, Australia in September 1994 and obtained his bachelor's degree in business majoring in accounting, and completed his CFO Programme at China Europe International Business School (中歐國際工商學院) in November 2009. Mr. Shu was accredited as a certified public accountant associate by Hong Kong Institute of Certified Public Accountants in September 1997. Mr. Shu was admitted as a member to the Hong Kong Independent Non-executive Director Association in May 2019.

Mr. Wu Wai Pan, aged 50, was appointed as an independent non-executive director of the Company and a member of the audit committee of the Board of the Company with effect from 10 June 2022. Mr. Wu was also appointed as members of the remuneration committee and the nomination committee of the Board of the Company on 12 August 2022. Mr. Wu is leading and managing several IT professional associations and chambers of commerce in the field of data and telecommunications in Hong Kong and the PRC. He has rich industrial and management experience in the Internet, Cloud applications, Internet of Things, AI, Blockchain, ICT and Big Data applications. He has 20 years of solid experience in ISP, telecommunications, Cloud and Tech Innovation management, planning and business development in Hong Kong, the PRC and the Asia-Pacific region. He had worked for several international companies for Internet, Telecommunications, Information Technology field, including Cisco Systems Inc., Hutchison Global Communications Ltd, New World Telecom and Global Link Internet Ltd. He is a leader in Innovation Technology, IoT application, data center, eCommerce and information technology system integration solutions. He is a Chairman of Asia Pacific Cloud Application Alliance and Vice Chairman of IOT Hong Kong Association. He holds Information Management Master Science Degree and Bachelor of Science Degree with Honours from University College Dublin in 2002 and Hong Kong Polytechnic University in 1999 respectively.



DIRECTORS' REPORT

Ms. Chak Wai Ting, aged 38, was appointed as an independent non-executive director of the Company and a member of the audit committee of the Board of the Company on 9 November 2022. Ms. Chak has been appointed as the company secretary of the Aoyuan Healthy Life Group Company Limited (a company listed on the Stock Exchange, stock code: 3662) since 28 June 2019. She obtained a Bachelor's Degree in Business Administration in Corporate Administration from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2011 and a Master of Laws Degree from the University of Greenwich in 2021. Ms. Chak is a fellow member of each of The Hong Kong Chartered Governance Institute and the Chartered Governance Institute (collectively, the "Institutes"). She is also awarded with the Chartered Secretary and the Chartered Governance Professional by the Institutes. Ms. Chak has extensive experience in compliance, corporate governance and company secretarial matters. From July 2016 to October 2018, she was the company secretary of Colour Life Services Group Co., Limited (a company listed on the Stock Exchange, stock code: 1778).

SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The Board considers that only the above-mentioned three executive directors are regarded as members of the Group's senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in Note 37 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The interests of the Company's directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as at 31 December 2022 as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions in Shares of the Company

Name of director	Number of Shares				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	-	-	-	1,252,752,780 (Note 1)	1,252,752,780	46.96%
Mr. Tommy Lee	-	-	710,000,000 (Note 2)	1,252,752,780 (Note 1)	1,962,752,780	73.58%
Mr. Chau Hau Shing	7,150,000	-	-	-	7,150,000	0.27%

Notes:

- The 1,252,752,780 shares included under the other interest of Mr. Lee Lap and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are the spouse and certain children of Mr. Lee Lap (including Mr. Tommy Lee) and the offspring of such children.
- The 710,000,000 shares were issued to Earth Axis Investment Limited which is indirectly controlled by Mr. Tommy Lee as partial settlement of the consideration upon completion of the sale and purchase agreement dated 23 September 2020.



DIRECTORS' REPORT

(B) Long Positions in Shares of Other Associated Corporations

Name of director	Name of subsidiary	Number of non-voting deferred shares held (Note)		Total	% of total issued non-voting deferred shares
		Personal Interest	Spouse interest		
Mr. Lee Lap	Applied Industrial Company Limited	1,000	1,500	2,500	100%
	Lee Plastics Manufacturing Company Limited	250,000	250,000	500,000	100%
	Magnetic Electronics Limited	5,000	–	5,000	100%
	Termbay Electronics Company Limited	7,000	3,000	10,000	100%

Note: All the above non-voting deferred shares are held by the director or his spouse personally as beneficial owner.

Except as disclosed above, as at 31 December 2022, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

At no time during the year, the Company or any of its subsidiaries was 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment"), which are described in Note 35 to the consolidated financial statements. Mr. Lee Lap has beneficial interests in Panda Investment.

During the year, one of the Group's properties has been leased to Mr. Lee Wing Keung, the son of Mr. Lee Lap, details of which are disclosed in the section headed "Connected Transaction".

Save as aforementioned, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party of subsisted at the end of the year or any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Listing Rules, the Company discloses that Mr. Lee Lap is interested in numerous companies engaged in property development and investment in the PRC and Hong Kong ("Competing Businesses").

The Board of the Company has continuously monitored in view of the interests of Mr. Lee Lap to identify conflict of interest (if any). If conflict of interest arises, Mr. Lee Lap (as the case may be) will abstain from participating in making any decision. The Company is therefore capable of carrying on its business independently of, and at arm's length from the Competing Businesses.

MANAGEMENT CONTRACTS

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



DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

The persons (other than the directors as disclosed in the “Directors’ Interest in Shares and Options”) interested in the issued share capital of the Company as at 31 December 2022 as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited (Note 1)	Beneficial owner	1,252,752,780	46.96%
Lee & Leung Family Investment Limited (Note 1)	Held by controlled corporation	1,252,752,780	46.96%
HSBC International Trustee Limited (Note 1)	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	46.96%
Earth Axis Investment Limited (Note 2)	Beneficial owner	710,000,000	26.62%
aEasy Finance Holdings Limited (Note 2)	Held by controlled corporation	710,000,000	26.62%
Cosmo Telecommunication Inc. (Note 3)	Beneficial owner	151,202,960	5.67%
Ms. Jing Xiao Ju (Note 3)	Held by controlled corporation	151,202,960	5.67%
East Glory Trading Limited (Note 4)	Beneficial owner	103,397,540	3.88%
Master Winner Limited (Note 4)	Held by controlled corporation	103,397,540	3.88%
Mr. Yuan Qinghua (Note 4)	Held by controlled corporation	103,397,540	3.88%

Notes:

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly-owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are the spouse and certain children of Mr. Lee Lap (including Mr. Tommy Lee) and the offspring of such children.
- (2) The 710,000,000 shares were issued to Earth Axis Investment Limited as partial settlement of the consideration upon completion of the sale and purchase agreement dated 23 September 2020. Earth Axis Investment Limited is wholly-owned by aEasy Finance Holdings Limited which is indirectly controlled by Mr. Tommy Lee.
- (3) According to record, as at 31 December 2022, Cosmo Telecommunication Inc. was wholly-owned by Ms. Jing Xiao Ju.
- (4) According to record, as at 31 December 2022, East Glory Trading Limited was wholly-owned by Master Winner Limited, which in turn was wholly-owned by Mr. Yuan Qinghua. After the allotment and issue of shares of the Company as partial settlement of the consideration on completion of the sale and purchase agreement dated 23 September 2020, the Company has not received notifications of disclosure of interests from these shareholders reporting change in number of shares. Based on the issued shares as at 31 December 2022, the percentage level of these shareholders was reduced to 3.88%.

Except as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the issued share capital of the Company as at 31 December 2022.

CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the Company discloses the following continuing connected transaction entered into during the year:

Tenancy Agreement

On 4 March 2020, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), a wholly-owned subsidiary of the Company, as lessor, and Mr. Lee Wing Keung, as lessee, renewed a lease agreement, pursuant to which the lessee will lease a residential property in the Hong Kong Island with a gross floor area of approximately 334 square metres from the lessor for a term of three years from 16 March 2020 to 15 March 2023 at a monthly rent of HK\$155,000 (exclusive of rates, management fees and utility charges). The monthly rent is based on a valuation report as at 31 January 2020 issued by Vigers Appraisal & Consulting Limited.



DIRECTORS' REPORT

The rental income earned by the Group during the year ended 31 December 2022 was HK\$1,860,000 (31 December 2021: HK\$1,860,000). Mr. Lee Wing Keung is the son of Mr. Lee Lap (the executive director and Chairman of the Company) and is also the brother of Mr. Tommy Lee (the executive director, Vice Chairman and Chief Executive Officer of the Company) and, as such, is an associate of Mr. Lee Lap and Mr. Tommy Lee respectively and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the above lease agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed the above transaction and opined that the connected transaction has been entered into:

- (i) in the ordinary and usual course of business of the Company,
- (ii) on normal commercial terms, and
- (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Pursuant to the Rule 14A.56 of the Listing Rules, the auditor has issued a letter to the Board of the Company that nothing has come to their attention that causes them to believe that the continuing connected transaction disclosed by the Group:

- (a) have not been approved by the Board;
- (b) were not entered into, in all material respects, in accordance with the relevant agreement governing such transaction; and
- (c) have exceeded the cap.

PROVIDENT FUND SCHEMES

The Group has mandatory provident fund schemes (“MPF Schemes”) managed by a banking group and an insurance group respectively. All staff employed in Hong Kong have joined the MPF Schemes. The MPF Schemes are defined contribution schemes, the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Schemes calculated at 5% of the employee’s monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance. As at 31 December 2022, the Group had no forfeited contributions (31 December 2021: Nil) available to offset future employers’ contributions to the MPF Schemes.

The employees of the Company’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The contribution made by the Group charged to the consolidated statement of profit or loss in respect of the year ended 31 December 2022 are as follows:

	2022	2021
	HK\$'000	HK\$'000
Gross employer’s contributions	564	583
<i>Less:</i> Forfeited contributions	–	–
Net contributions	564	583

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as of the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total issued shares of the Company as required under the Listing Rules.



DIRECTORS' REPORT

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no statutory restrictions against such rights under the laws in Bermuda.

PERMITTED INDEMNITY

The Company's Bye-laws provided that the directors for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own willful neglect or default, fraud or dishonesty respectively.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year ended 31 December 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 were audited by PricewaterhouseCoopers.

A resolution to re-appoint PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Termbray Industries International (Holdings) Limited

Lee Lap

Chairman

30 March 2023



CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance and firmly believes that maintaining a good, solid and sensible framework of corporate governance will help ensure that the Company's business is run in the best interests of its shareholders as a whole.

The Company has adopted all the code provisions in the Corporate Governance Code ("the CG Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices.

The Company has complied with the CG Code during the year ended 31 December 2022 save as disclosed below.

Pursuant to code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the Bye-laws may provide." Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its Bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director shall be subject to retirement by rotation at least once every 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

Following the resignation of Mr. Tong Hin Wor, an independent non-executive director of the Company, on 12 August 2022, the Board comprised three executive directors and two independent non-executive directors, with the number of independent non-executive directors falling below the minimum number of three independent non-executive directors as required under Rule 3.10(1) of the Listing Rules. Besides, Mr. Tong Hin Wor also served as a member of the audit committee of the Company and following Mr. Tong's resignation, the number of audit committee members decreased from three to two, comprising two independent non-executive directors, which did not fulfill the requirement that the audit committee must comprise a minimum of three members under Rule 3.21 of the Listing Rules and the terms of reference of the audit committee.

On 12 August 2022, Mr. Wu Wai Pan, an independent non-executive director of the Company, was appointed as a member of each of the remuneration committee and nomination committee of the Company.

On 9 November 2022, Ms. Chak Wai Ting was appointed as an independent non-executive director and a member of the audit committee of the Company. Following the said appointment, (i) the Board comprises three independent non-executive directors, which fulfills the requirement of having a minimum of three independent non-executive directors under Rule 3.10(1) of the Listing Rules and (ii) the audit committee comprises three members, which fulfills the requirement that audit committee must comprise a minimum of three members who are non-executive directors under Rule 3.21 of the Listing Rules and the terms of reference of the audit committee.

THE COMPANY'S CULTURE

The Board has established the Group's purpose, values and strategies and is satisfied that they are aligned with the Group's culture. All directors act with integrity, lead by example, and promote the desired culture. The Board should instil and continually reinforce the Company's values of "acting lawfully, ethically and responsibly".

Business integrity is a basic value of our business and the Group is devoted to conducting the business operations in line with high ethical standards. In order to ensure that employees are conscious of professional ethics and can maintain the reputation of the Company, the Group has implemented an Employee Handbook and an Employee Code of Conduct ("Code") and policies, which comply with the relevant laws and regulations and applies to all employees. It sets out the norms for the daily behaviour of our employees and our operation principles underpinning our management approaches to various topics, including business ethics, conflicts of interest, bribery, and procurement.

The Group is devoted to nurturing harmonious, healthy, warm and positive corporate culture through various activities such as team building in order to improve the employee's sense of commitment and emotional engagement with the Group's mission. This sets the tone for building a strong and productive workforce that attracts, develops, and retains the best talent and produces the highest quality work.

All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries, acting objectively in the best interests of the Company and hold the management accountable for performance, and the Board is accountable to the shareholders through effective governance of the business.

BOARD OF DIRECTORS

The Board is charged with leading the Group in a responsible and effective manner. Each director has to carry out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and act in the best interests of the shareholders. The duties of the Board include establishing the strategic direction of the Group, setting objectives and monitoring the performance of the Group.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board of the Company consists of 3 executive directors and 3 independent non-executive directors. The brief biographical details of the existing directors are described on pages 24 and 26 of the annual report. Saved as disclosed therein, there are no other business, financial, family and other relevant interests among the directors.



CORPORATE GOVERNANCE REPORT

On 15 April 2022, Mr. Ching Yu Lung resigned as independent non-executive director and Mr. Shu Wa Tung, Laurence was appointed as independent non-executive director.

On 10 June 2022, Mr. Lo Yiu Hee retired as independent non-executive director and Mr. Wu Wai Pan was appointed as independent non-executive director.

On 12 August 2022, Mr. Tong Hin Wor resigned as independent non-executive director and on 9 November 2022, Ms. Chak Wai Ting was appointed as independent non-executive director.

Mr. Shu Wa Tung, Laurence, Mr. Wu Wai Pan and Ms. Chak Wai Ting, the independent non-executive directors, have each entered into an appointment letter with the Company for service as an independent non-executive director for a term of 2 years from their dates of appointment on (i) 15 April 2022, (ii) 10 June 2022 and (iii) 9 November 2022 respectively.

The Chairman and the Chief Executive Officer have different roles. The Chairman is responsible for the operation of the Board and the Chief Executive Officer is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from diversified industrial backgrounds. They ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances to safeguard the interests of shareholders and the Company as a whole. Through serving on the Board committees, taking active participation and sharing of valuable impartial view on matters discussed at the Board and/or Board committees meetings and taking lead in managing issues involving potential conflict of interests, all independent non-executive directors have provided the independent view to the Board.

The Board has set up an independent professional consulting procedures and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses. The full Board meets regularly to review the financial and operating performance of the Group. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the CG Code.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties, including the following matters attended by the Board during the year ended 31 December 2022:

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

The Board has also established mechanism to ensure independent views are available to the Board, including providing the directors with sufficient resources to perform its duties and shall seek, at the Company’s expense, independent professional advice to perform its responsibilities if necessary. The Board shall review annually the mechanism on independent views to ensure its implementation and effectiveness.

DIRECTORS’ TRAINING

Directors of the Company are continually updated with legal and regulatory developments and the business environment to facilitate discharge of their responsibilities. All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Directors are provided with monthly updates on the Company’s performance, position and prospects to enable the Board as whole and each director to discharge their duties.

Continuing education and information are provided to the directors regularly to help ensuring that the directors are appraised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business.



CORPORATE GOVERNANCE REPORT

Based on the training records provided to the Company, the directors have participated in the following training during the year ended 31 December 2022:

Name of directors	Reading regulatory updates/attending in house briefing	Attending expert briefing/seminars/conference relevant to the business/directors' duties
Mr. Lee Lap (Chairman)	✓	
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	✓	
Mr. Chau Hau Shing	✓	
Mr. Shu Wa Tung, Laurence (appointed on 15 April 2022)	✓	✓
Mr. Wu Wai Pan (appointed on 10 June 2022)	✓	
Ms. Chak Wai Ting (appointed on 9 November 2022)	✓	✓
Mr. Lo Yiu Hee (retired on 10 June 2022)	*	*
Mr. Tong Hin Wor (resigned on 12 August 2022)	✓	
Mr. Ching Yu Lung (resigned on 15 April 2022)	✓	✓

* unable to confirm due to illness

There were 5 board meetings held in the year ended 31 December 2022. The attendance record of each director is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of directors	No. of board meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	5/5	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	5/5	100%
Mr. Chau Hau Shing	5/5	100%
Mr. Shu Wa Tung, Laurence (appointed on 15 April 2022)	3/3	100%
Mr. Wu Wai Pan (appointed on 10 June 2022)	2/2	100%
Ms. Chak Wai Ting (appointed on 9 November 2022)	N/A	N/A
Mr. Lo Yiu Hee (retired on 10 June 2022)	0/2	0%
Mr. Tong Hin Wor (resigned on 12 August 2022)	3/3	100%
Mr. Ching Yu Lung (resigned on 15 April 2022)	2/2	100%

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions.

In response to specific enquiry made, all directors (except Mr. Lo Yiu Hee, a former director, who is unable to confirm due to illness and had retired on 10 June 2022) confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the audit committee, remuneration committee and nomination committee formed under the Board, with each performing different functions.

AUDIT COMMITTEE

The audit committee, which is now chaired by Mr. Shu Wa Tung, Laurence (appointed on 15 April 2022), has been established with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the CG Code of the Listing Rules. Other members of the audit committee during the year are Mr. Lo Yiu Hee (retired on 10 June 2022), Mr. Tong Hin Wor (resigned on 12 August 2022), Mr. Ching Yu Lung (resigned on 15 April 2022), Mr. Wu Wai Pan (appointed on 10 June 2022) and Ms. Chak Wai Ting (appointed on 9 November 2022). The audit committee meets no less than twice a year with the senior management and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Group, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions. The audit committee also provides advice and recommendations to the Board and oversees all matters relating to the external auditors, and it plays an important role in monitoring and safeguarding the independence of external auditors.



CORPORATE GOVERNANCE REPORT

The audit committee met 3 times during the financial year ended 31 December 2022. Set out below is the summary of work done during the year under review:

- to review the financial statements of the Group for the year ended 31 December 2021 and for the six months ended 30 June 2022.
- to discuss on the effectiveness of the internal control system;
- to review the internal audit report prepared by outsourced professional firm;
- to review the auditors' statutory audit plan and the letters of representation;
- to consider and approve the 2022 audit fees; and
- to consider and approve the audit services plan and internal audit plan.

The attendance record of each member is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of audit committee members	No. of meeting attended	Attendance rate
Mr. Shu Wa Tung, Laurence (appointed on 15 April 2022) (Chairman)	2/2	100%
Mr. Wu Wai Pan (appointed on 10 June 2022)	2/2	100%
Ms. Chak Wai Ting (appointed on 9 November 2022)	N/A	N/A
Mr. Lo Yiu Hee (retired on 10 June 2022) (former Chairman)	0/1	0%
Mr. Tong Hin Wor (resigned on 12 August 2022)	1/1	100%
Mr. Ching Yu Lung (resigned on 15 April 2022)	1/1	100%

REMUNERATION COMMITTEE

The remuneration committee, which is now chaired by Mr. Shu Wa Tung, Laurence (appointed on 10 June 2022), has been established with defined terms of reference. Other members during the year are Mr. Lee Lap, Mr. Lo Yiu Hee (retired on 10 June 2022), Mr. Tong Hin Wor (resigned on 12 August 2022) and Mr. Wu Wai Pan (appointed on 12 August 2022).

CORPORATE GOVERNANCE REPORT

The Company aims to design remuneration policies that attract and retain executives that are needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies whilst taking into account performance of the individual. The remuneration should reflect performance, complexity and responsibility of the individual; and the remuneration package will be structured to include salary and bonus to provide incentives to directors and senior management to improve their individual performances.

The role and function of the remuneration committee include formulation of the remuneration policy, review and recommendation to the Board the annual remuneration policy, and determination of the remuneration of the executive directors.

Set out below is the summary of work done of the remuneration committee during the year under review:

- to review the remuneration policy for the year ended 31 December 2022;
- to review the remuneration of the directors' fee of the independent non-executive directors, including the remuneration of new independent non-executive directors appointed during the year;
- to review the remuneration packages of new directors; and
- to review medical allowance of an independent non-executive director.

The remuneration committee met 2 times during the financial year ended 31 December 2022 with the presence of majority of the members of the remuneration committee and also transacted business by a written resolution. The attendance record of each member is shown below:

Name of remuneration committee members	No. of meeting attended	Attendance rate
Mr. Shu Wa Tung, Laurence (appointed on 10 June 2022) (Chairman)	N/A	N/A
Mr. Lee Lap	2/2	100%
Mr. Wu Wai Pan (appointed on 12 August 2022)	N/A	N/A
Mr. Lo Yiu Hee (retired on 10 June 2022) (former Chairman)	0/1	0%
Mr. Tong Hin Wor (resigned on 12 August 2022)	2/2	100%

The Board considers that only the executive directors are regarded as members of the senior management. Particulars regarding directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 9 and Note 37 to the consolidated financial statements.



CORPORATE GOVERNANCE REPORT

Directors' remuneration policy

The Company has put in place a directors' remuneration policy to determine the remuneration packages of directors to ensure that there is an appropriate level of remuneration to attract and retain experienced people of high calibre to oversee the Group's business and development. The remuneration of directors is reviewed at least annually and determined with reference to the skills and knowledge of the directors, their job responsibilities and level of involvement in the Group's affairs, corporate performance, individual performance as well as prevailing market conditions. Remuneration comprises directors' fees, salaries, allowances and performance-related bonuses, equity-settled share based payments and retirement benefit contributions.

NOMINATION COMMITTEE

The nomination committee, which is chaired by Mr. Lee Lap, has been established with defined terms of reference. Other members during the year are Mr. Lo Yiu Hee (retired on 10 June 2022), Mr. Tong Hin Wor (resigned on 12 August 2022), Mr. Shu Wa Tung, Laurence (appointed on 10 June 2022) and Mr. Wu Wai Pan (appointed on 12 August 2022).

The nomination committee is responsible for:

- 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 independence of independent non-executive directors;
- 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; and
- consider other topics as defined by the Board.

CORPORATE GOVERNANCE REPORT

The nomination committee met 3 times during the financial year ended 31 December 2022 with the presence of majority of the members of the nomination committee and transacted business by written resolution to review the structure, size and composition of the Board, to assess the independence of independent non-executive directors, to nominate Mr. Shu Wa Tung, Laurence, Mr. Wu Wai Pan and Ms. Chak Wai Ting as new independent non-executive directors based on their respective skills, knowledge and experience and to make recommendations on re-election of retiring directors. The attendance record of each member is shown below:

Name of nomination committee members	No. of meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	3/3	100%
Mr. Shu Wa Tung, Laurence (appointed on 10 June 2022)	N/A	N/A
Mr. Wu Wai Pan (appointed on 12 August 2022)	N/A	N/A
Mr. Lo Yiu Hee (retired on 10 June 2022)	0/2	0%
Mr. Tong Hin Wor (resigned on 12 August 2022)	3/3	100%

The Board has also adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointing and re-appointing a director. The selection criteria used in assessing the suitability of a candidate include, inter alia, such candidate's academic background and professional qualifications, relevant experience in the industry, character and integrity, etc.

Pursuant to the Nomination Policy, the nomination committee reviews the structure, size and composition of the Board periodically and makes recommendation on any proposed changes to the Board to complement the Company's corporate strategy. When it is necessary to fill a casual vacancy or appoint an additional director, the nomination committee identifies or selects candidates as recommended to the committee pursuant to the criteria set out in the Nomination Policy. Based upon the recommendation of the nomination committee, the Board deliberates and decides on the appointment. In addition, every director shall be subject to retirement by rotation or re-election at least once every three years and shall be eligible for re-election at each annual general meeting. The nomination committee shall review the overall contribution and service to the Company, expertise and professional qualifications of the retiring directors, who offered himself/herself for re-election at the annual general meeting, to determine whether such director continues to meet the criteria as set out in the Nomination Policy.



CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has formulated and adopted a board diversity policy in June 2013 setting out the approach on diversity of the board. The Board had reviewed the implementation and effectiveness of the said policy during the year.

The Board recognises the importance of having a diverse board in enhancing the Board effectiveness and corporate governance. A diverse Board will include and make good use of difference in the skills, industry knowledge and experience, education, background and other qualities of directors of the Company and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The nomination committee of the Company has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board will consider and review from time to time the Board diversity policy and setting of any measureable objects, if appropriate.

Gender diversity

As at 31 December 2022, the gender ratio in the Group's workforce (including directors) is around 47% female, among which, around 50% of the Group's manager roles are held by women. The chart below summarises the share of women at different position levels across the Group as at 31 December 2022.

Gender	Level		
	Director	Manager	Employee
Male	5	6	19
Female	1	6	20

The Board achieved gender diversity of the Board on 9 November 2022. Accordingly, the Board considers that the current composition of the Board has met the Board's objectives with respect to gender diversity.

DIVIDEND POLICY

The Board has adopted a dividend policy (the “Dividend Policy”) which does not have any pre-determined dividend payout ratio. In considering dividend payment, the Board will take into account factors such as depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the directors of the Company may consider relevant from time to time. The Board will review the Dividend Policy from time to time and the Dividend Policy does not constitute any commitment or obligation of the Company to declare dividends.

AUDITOR’S REMUNERATION

The remuneration in respect of services provided by PricewaterhouseCoopers for the Group for the year ended 31 December 2022 are analysed as follows:

	2022	2021
	HK\$'000	HK\$'000
Audit services	2,120	2,607
Non-audit services	350	350
	2,470	2,957

Note: The remuneration for non-audit services for the year ended 31 December 2022 includes fee regarding the review of the interim financial report of the Group for the six months ended 30 June 2022 (2021: same).

DIRECTORS’ RESPONSIBILITY FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities to prepare the consolidated financial statements. The statement of the auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor’s Report on pages 54 to 60.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company places great importance on risk management and internal control. The Board has overall responsibility for the systems of risk management and internal control and for reviewing their effectiveness. However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.



CORPORATE GOVERNANCE REPORT

During the year, the Group has complied with code provision D.2 of the CG Code of the Listing Rules by establishing appropriate and effective risk management and internal control systems. The Board is responsible for the design, implementation and monitoring of such systems, and oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below.

Risk management policy

A sound framework of risk oversight, risk management and internal control is fundamental to the Group's commitment to good corporate governance. The Group adopts a risk management policy which manages risks including, amongst others, material risks relating to ESG associated with its business and operations.

The management of risk within the Group is recognised as a critical part of its business operations. It underpins reliable financial reporting, compliance with relevant legal and regulatory obligations, efficient and effective business operations.

To manage the risk exposures faced by the Group, the Board recognises the need to identify areas of significant business risk and to develop and implement strategies to investigate these risks as a basis of implementing a formal system of risk management and internal control and compliance.

Risk identification sets out to identify the Company's exposure to uncertainties. Risk types will be categorised as strategic risks, operational risks, reporting risks, compliance risks and ESG risks.

The Group will undertake a formal risk assessment review and to routinely monitor and reassess material risk exposures within the Group.

Internal control system

The Company has in place an internal control system which enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the system are shown as follows:

- *Control Environment:* A set of standards and procedures that provides the basis for carrying out internal control across the Group.
- *Risk assessment:* A process for identifying and analyzing risks as well as those relating to the Group's ESG performance and reporting to achieve the Group's objectives and for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that risk mitigation is carried out by the management.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing evaluations to ensure each component of internal control system is functioning.

Procedures and internal controls for the handling and dissemination of inside information

The Company has adopted a policy on disclosure of inside information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. The Group ensures that information is kept strictly confidential before fully disclosed to the public, and if the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group will immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading, or not false or misleading through omission of a material fact, and to present information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Internal audit function

The Group has engaged an external professional firm to perform internal audit (“IA”) functions, which consists of professional staff with relevant expertise (such as Certified Public Accountants). The IA is independent of the Group’s daily operation and carries out an assessment of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

Based on the analysis of the identified key risks over financial reporting, compliance and operation aspects of the Group, the IA has designed a 3-year IA plan. The IA plan has been approved by the Board. According to the established IA plan, reviews of the risk management and internal control systems are conducted annually and the results are reported to the Board after approval by the audit committee.

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

During the year, the Board had also considered the adequacy of resources, qualifications and experience of staff of the Company’s accounting and financial reporting function, and their training programme and budget. Based on the results of the review, the Group will continue to take steps to further enhance the effectiveness of the internal control system.



CORPORATE GOVERNANCE REPORT

Anti-corruption and Anti-money Laundering Policy and Whistle-blowing Policy

The Group is committed to fostering an ethical corporate culture and abide by anti-money laundering regulations. A set of strict policies covering Anti-Bribery, Extortion, Fraud, and Money Laundering Policy (“Policy”) has been implemented in order to make sure that the management and employees keep the highest ethical standards during all business-related actions. Employees of the Company are not permitted to provide any kind of payment to authorities, provide or take any benefit for the aim of influencing business operations, or grant or accept loans from any entities or individuals with whom we do business. The Policy applies to our customers as well as to our suppliers, service providers, and contractors.

Moreover, the Board also call for the management and all staff to be prohibited from physically disposing of money made via illegal activities. The proper guidelines have been established, covering appropriate controls such as record keeping, employee training, and ongoing client observation. Whenever employees notice any shady transactions, they are supposed to report them to management through our whistle-blowing channels. The guidelines are periodically reviewed to ensure that our anti-corruption procedures are in compliance with the most recent laws and regulations.

By recognising the patterns of wrong behaviour, educational needs, and supervision efficacy for a strong preventative strategy, we proactively find any prospective corruption situations to avoid improper conduction. Moreover, we provide anti-bribery training as a required component of the induction training to all new hires to make sure they completely understand and agree to be bound by the Code and Policy.

For the purpose of implementing the whistle-blowing channels and looking into the reported incidents, an internal whistle-blowing management team has been established. The internal management team will recognise problematic behaviours and provide suggestions to the Group to correct them. Employees are encouraged to report any suspicious incidents internally to the Internal Reporting Management Team. If further investigation is thought to be required after the review process, a responsible department will be assigned and the findings will be shared at an internal meeting with a set timetable. The Internal Whistle-blowing Policy outlines the unacceptable behaviours and our channels in explicit detail. If any such incidents are discovered, the employees may be subject to legal repercussions. During the year, there were no reported cases regarding corrupt issues brought against the Group or employees.

COMPANY SECRETARY

The Company has engaged and appointed Mr. Lo Tai On, a representative from an external secretarial services provider, as the company secretary of the Company. The primary contact person with the company secretary of the Company is Mr. Wu Xiao Dong, the Chief Financial Officer of the Company. Mr. Lo has confirmed that he has taken no less than 15 hours of relevant training.

CONSTITUTION DOCUMENTS

During the year, there is no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Summary of Shareholders Communication Policy

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investors understanding of the Group's business performance and strategies. Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, interim report, various notices, announcements and circulars, to ensure the shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the Chairman of the meeting at the general meetings of the Company.

General meetings of the Company provide a direct forum of communication between shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an executive director of the Company, as well as chairman of the nomination committee, remuneration committee and audit committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will be commonly be present and available to answer questions and shareholders may also contact the company secretary to direct their written enquiries.

At the annual general meeting held on 10 June 2022, a separate resolution was proposed in respect of each separate issue itemised on the agenda, including the re-election of retiring directors. The Chairman of the Board and members of all committees answered questions from shareholders.

The Chairman of the meeting explained detailed procedures for conducting a poll. All the resolutions proposed at the meetings were passed separately by way of poll (except the resolution in relation to re-election of Mr. Lo Yiu Hee as an independent non-executive director of the Company). The results of the poll were published on the websites of the Stock Exchange and the Company on 10 June 2022. No other general meeting of the Company was held during the year.



CORPORATE GOVERNANCE REPORT

The attendance record of each director at the general meetings are shown below:

Name of directors	General meeting attended	Attendance rate
Mr. Lee Lap (Chairman)	1/1	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	1/1	100%
Mr. Chau Hau Shing	1/1	100%
Mr. Shu Wa Tung, Laurence (appointed on 15 April 2022)	N/A	N/A
Mr. Wu Wai Pan (appointed on 10 June 2022)	N/A	N/A
Ms. Chak Wai Ting (appointed on 9 November 2022)	N/A	N/A
Mr. Lo Yiu Hee (retired on 10 June 2022)	0/1	0%
Mr. Tong Hin Wor (resigned on 12 August 2022)	1/1	100%
Mr. Ching Yu Lung (resigned on 15 April 2022)	1/1	100%

The forthcoming annual general meeting of the Company will be held on Thursday, 15 June 2023. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be dispatched together with the 2022 annual report to the shareholders of the Company.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with the press and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.termbray.com.hk, where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders and investors may at any time send their enquiries and concerns to the Board in writing as follows:

Address: Room 2107-08, 21/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong

Fax: (852) 2531 0338

Email: group@termbray.com.hk

All corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. Taking into account the variety of existing channels for communication and participation, the Board considers that the shareholders communication policy is effective during the year.

SHAREHOLDERS' RIGHTS

Shareholders are entitled to requisition a special general meeting and put forward proposals at general meeting. The procedures are as follows:

(a) Procedures for requisitioning a special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up-capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the board or the Company Secretary signed and deposited in accordance with the Bye-laws of the Company, Bermuda Companies Act 1981, require the directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals to general meeting

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 shareholders may, at their expense, provide a written request to the attention of the Company Secretary signed and deposited in accordance with the Bermuda Companies Act 1981.

The procedures for the shareholders to propose a person for election of a director at an annual general meeting is available for viewing at the Company's website at www.termbray.com.hk. The above procedures are subject to the Bye-laws of the Company and applicable legislation and regulation from time to time.

Besides, the updated memorandum of association and Bye-laws of the Company has been posted on the website of the Company at www.termbray.com.hk and the designed website of the Stock Exchange at www.hkexnews.hk.

CONCLUSION

The Company strongly believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of funds and effective allocation of resources and to protect shareholders' interests. The management wholeheartedly advocates of the good practice in corporate governance and will try our best to maintain, strengthen and improve the standard and quality of the Group's corporate governance.



INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 61 to 146, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

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 identified in our audit are summarised as follows:

- Impairment assessment of loan and interest receivables
- Valuation of leasehold land and buildings and investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of loan and interest receivables</p> <p><i>Refer to Note 3.1(b) (credit risk), Note 4 (critical accounting estimates and judgements), Note 10 (provision for impairment and write-off of loan and interest receivables), Note 20 (loan receivables) and Note 21 (interest receivables) to the consolidated financial statements.</i></p> <p>As at 31 December 2022, the Group had net loan and interest receivables amounting to HK\$536,285,000 and HK\$7,184,000, respectively. As at 31 December 2022, the provision for impairment of loan and interest receivables under the expected credit loss ("ECL") model amounted to HK\$48,955,000 and HK\$970,000, respectively.</p>	<p>Our procedures in relation to management's assessment of provision for impairment of loan and interest receivables include:</p> <ul style="list-style-type: none"> • understood, evaluated and validated the key controls over the impairment assessment of loan and interest receivables, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated; • assessed and challenged the valuation methodology and approach adopted by management in the ECL assessment;



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of loan and interest receivables (Continued)</p> <p>Management assessed the provision for impairment of loan and interest receivables based on the estimation of ECL under a “three-stage” model. In measuring the loss allowance against loan and interest receivables, management applied judgement in selecting the valuation methodologies and approach, including the staging determination for receivables with similar risk characteristics, and making assumptions about the probability of default, loss given default and exposure at default with reference to the historical delinquency ratio of loans portfolio, collateral values and forward-looking macroeconomic factors.</p> <p>We focused on this area because the carrying value of loan and interest receivables is significant to the consolidated financial statements and management’s impairment assessment of loan and interest receivables requires the use of significant judgement and estimates.</p>	<ul style="list-style-type: none">evaluated the appropriateness of the staging determination and key assumptions about the probability of default, loss given default and exposure at default in assessing the ECL, such as grouping of receivables with similar credit risk characteristics, delinquency ratio and collateral values used for the respective receivable groupings, and forward-looking macroeconomic factors based on a number of reference materials including historical data as well as independent market economic information;tested, on a sample basis, the existence and accuracy of the aging of the loan and interest receivables as at the reporting date by tracing to loan agreements; andchecked calculation of management’s computations of loss allowance. <p>Based on the procedures performed, we found that management’s judgements and estimates applied in the impairment assessment of loan and interest receivables were supported by management provided evidence and our market research.</p>

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of leasehold land and buildings and investment properties</p> <p><i>Refer to Note 4 (critical accounting estimates and judgements), Note 16 (property, plant and equipment) and Note 17 (investment properties) to the consolidated financial statements.</i></p> <p>The Group's leasehold land and buildings and investment properties amounted to HK\$234,000,000 and HK\$222,000,000, respectively, as at 31 December 2022. For the year ended 31 December 2022, a fair value loss on investment properties of HK\$19,520,000 was debited to the profit or loss, and a decrease in the carrying amounts arising on the revaluation of land and buildings of HK\$32,220,000 was recognised in the other comprehensive income.</p> <p>Management engaged an independent valuer to determine the valuation of the Group's leasehold land and buildings and investment properties. There were significant judgements and estimates involved whereby the valuations have been arrived at using the direct comparison method, taking into account adjustments for differences in transaction time, location, frontage and size between the comparables and the property and/or the existing tenancy agreement.</p> <p>The significant judgements and estimates involved in the property valuations warrant specific audit focus and attention.</p>	<p>Our procedures performed in relation to the valuation of leasehold land and buildings and investment properties included:</p> <ul style="list-style-type: none"> • understood management's controls and processes over the valuation, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other relevant inherent risk factors; • assessed the competence, capability and objectivity of the external valuer engaged by management for the valuation; • obtained an understanding of the valuation processes and challenged the significant assumptions to assess if these approaches are consistent with the requirements of HKFRSs and industry norms; • assessed the methodologies and data inputs used by the external valuer, and the appropriateness of the key assumptions, based on our knowledge of the property industry, research of unit sale prices, taking into account adjustments for differences in transaction time, location, frontage and size between the comparables and the property. • involved our internal valuation specialists in our discussions with management and the external valuer to understand and assess the appropriateness of the methodology used and the assumptions and estimates applied.

Based on the procedures performed, we found the methodologies adopted and the key assumptions used were supported by management provided evidence and our market research.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	6	162,870	112,435
Other income	7	2,335	1,749
Other (losses)/gains, net	8	(17)	4,936
Fair value losses on investment properties		(19,520)	(6,780)
Cost of properties sold		–	(1,598)
Advertising and promotion		(19,395)	(15,945)
Employee benefits expenses	9	(17,556)	(15,059)
Provision for impairment and write-off of loan and interest receivables	10	(57,783)	(17,249)
Other operating expenses	11	(18,050)	(23,557)
Operating profit		32,884	38,932
Finance costs	12	(8,091)	(7,195)
Profit before income tax		24,793	31,737
Income tax expense	14	(9,604)	(10,470)
Profit for the year		15,189	21,267
Other comprehensive loss:			
<i>Item that may not be reclassified to profit or loss:</i>			
Losses on revaluation of leasehold land and buildings	16	(32,220)	(58,217)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(13,764)	(569)
Other comprehensive loss for the year, net of tax		(45,984)	(58,786)
Total comprehensive loss for the year		(30,795)	(37,519)
		HK cents	HK cents
Earnings per share attributable to owners of the Company:			
Basic	15	0.57	0.80
Diluted	15	0.57	0.80

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	16	235,409	270,950
Investment properties	17	222,000	241,520
Intangible assets	18	10,559	11,907
Deferred income tax assets	28	4,216	1,393
Loan receivables	20	475,232	479,483
Deposits	25	–	164
		947,416	1,005,417
Current assets			
Completed properties for sale	19	55,052	60,147
Loan receivables	20	61,053	78,754
Interest receivables	21	7,184	5,253
Repossessed assets	22	27,928	–
Deposits, prepayments and other receivables	25	5,189	3,935
Financial assets at fair value through profit or loss	26	107	152
Cash and cash equivalents	27	166,777	180,947
		323,290	329,188
Total assets		1,270,706	1,334,605
Equity and liabilities			
Equity			
Share capital	29	213,411	213,411
Reserves	30	878,696	909,491
Total equity		1,092,107	1,122,902

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	28	–	271
Lease liabilities	23	96	554
Other payables and accruals	31	–	146,742
		96	147,567
Current liabilities			
Other payables and accruals	31	161,583	44,478
Amount due to a related company	32	1,732	1,936
Lease liabilities	23	685	810
Income tax payable		14,503	16,912
		178,503	64,136
Total liabilities		178,599	211,703
Total equity and liabilities		1,270,706	1,334,605

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 61 to 146 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Lee Lap
Director

Tommy Lee
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	
Balance as at 1 January 2021	213,411	545,966	12,616	379,587	8,841	1,160,421
Profit for the year	-	-	-	-	21,267	21,267
Exchange differences arising on translation of foreign operations	-	-	(569)	-	-	(569)
Loss on revaluation of leasehold land and buildings (Note 16)	-	-	-	(58,217)	-	(58,217)
Total comprehensive (loss)/income for the year	-	-	(569)	(58,217)	21,267	(37,519)
Balance as at 31 December 2021	213,411	545,966	12,047	321,370	30,108	1,122,902
Profit for the year	-	-	-	-	15,189	15,189
Exchange differences arising on translation of foreign operations	-	-	(13,764)	-	-	(13,764)
Loss on revaluation of leasehold land and buildings (Note 16)	-	-	-	(32,220)	-	(32,220)
Total comprehensive (loss)/income for the year	-	-	(13,764)	(32,220)	15,189	(30,795)
Balance as at 31 December 2022	213,411	545,966	(1,717)	289,150	45,297	1,092,107

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	33	9,372	(67,853)
Income tax paid, net		(14,190)	(12,928)
Net cash used in operating activities		(4,818)	(80,781)
Cash flows from investing activities			
Interest received		1,560	1,681
Purchase of property, plant and equipment		(498)	(129)
Net cash generated from investing activities		1,062	1,552
Cash flows from financing activities			
Decrease in pledged bank deposit		–	2,000
Principal elements of lease payments		(807)	(929)
Interest paid on lease liabilities		(49)	(25)
Net cash (used in)/generated from financing activities		(856)	1,046
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		180,947	256,474
Effect of exchange rate changes on cash and cash equivalents		(9,558)	2,656
Cash and cash equivalents at end of year	27	166,777	180,947

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Termbray Industries International (Holdings) Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda. Its shares are listed on the Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together, the “Group”) are principally engaged in property investment and development in the People’s Republic of China (the “PRC”) and Hong Kong and money lending business of providing loans in Hong Kong.

The parent of the Company is Lee & Leung (B.V.I.) Limited which is incorporated in the British Virgin Islands and the directors of the Company consider that its ultimate parent to be Lee & Leung Family Investment Limited, a company incorporated in the British Virgin Islands which is held by HSBC International Trustee Limited as trustee for the Lee & Leung Family Trust, the settlor of which is Mr. Lee Lap.

These consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Termbray Industries International (Holdings) Limited and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) Amended standards and accounting guideline effective for the financial period beginning on 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of these amended standards and accounting guideline did not result in any substantial change to the Group's accounting policies. The amended standards and accounting guideline listed above had no material impact on the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) The following new and amended standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) The following new and amended standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted: (Continued)

The Group has not applied any new and amended standards and interpretations that is not yet effective for the current accounting period. These new and amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiary

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when then Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to effect those return through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

2.2.2 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiary are accounted for by the Company on the basis of dividend received and receivable.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the entities now comprising the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the “functional currency”). The financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated at foreign currencies at year-end exchange rates are generally recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that include a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposals (that is, reduction in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Leasehold land and buildings are recognised at fair value based on periodic valuations by an external independent valuer, less subsequent depreciation for buildings. A revaluation surplus is credited to property revaluation reserve in shareholders' equity. Leasehold land and leased office premise are considered as types of right-of-use assets.

All other property, plant and equipment stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

Leasehold land	Over the term of the lease
Buildings	40 years or over the remaining lease term of the land on which the building is situated, if shorter
Furniture, fixtures, equipment and leasehold improvements	2 – 10 years
Motor vehicles	5 – 7 years
Leased office premise	Over the term of the lease

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

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts and are recognised within 'other (losses)/gains, net' in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

Investment properties, principally residential properties, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are recognised within 'other (losses)/gains, net' in the consolidated statement of profit or loss.

2.7 Intangible assets

The brand name and mobile application acquired in a business combination were recognised at fair value at the acquisition date. They have a finite useful life and were subsequently carried at cost less accumulated amortisation and impairment losses. Costs associated with maintaining the mobile application are recognised as an expense as incurred.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Brand name	10 years
Mobile application	1 year

2.8 Completed properties held for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised in accordance with the Group's accounting policies. Net realisable value is determined by reference to estimated selling price less selling expenses.

2.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

(a) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortised cost.

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

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(c) Measurement

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

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in revenue or other income using the effective interest rate method. Any gain or loss arising on derecognition and impairment losses are presented as separate line item in the consolidated statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in 'other (losses)/gains, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other (losses)/gains, net' and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in comprehensive income and presented net within 'other (losses)/gains, net' in the period in which it arises.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instrument assets carried at amortised cost. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.1(b) provides more detail of how the expected credit loss allowance is measured.

Loan receivables and interest receivables of the Group are classified as debt investments carried at amortised cost and are subject to the ECL model. While deposits and other receivables, repossessed assets and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Loan and interest receivables

Loan and interest receivables are property mortgage loans, personal loans and corporate loan granted to customers in the ordinary course of business. If collection of loan and interest receivables are expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Loan and interest receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The gross carrying amount is written off (either partially or in full) to the extent that there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written-off are credited against "provision for impairment and write-off of loan and interest receivables" in the consolidated statement of profit or loss.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Other payables and accruals

Other payables and accruals are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Pension obligations

The Group has a defined contribution plan. Payments to defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme and state-managed retirement pension schemes, are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Repossessed assets

There are two types of repossessed assets:

In the recovery of credit-impaired loans and interest receivables, the Group takes ownership and control of the collateral assets (e.g. through court proceedings) for release of the obligations of the borrower. Repossessed assets are classified as non-current assets held for sale when they meet the definition of non-current assets held for sale and the recognition criteria under HKFRS 5. Non-current assets held for sale are measured at the lower of fair value less costs of disposal and the carrying amount. The related loans and interest receivables together with the impairment allowances are derecognised from the consolidated statement of financial position upon the recognition of these repossessed assets.

In situation where the Group obtains rights to rent or sell of the underlying collateral assets in the recovery of credit-impaired loans and interest receivables (e.g. through court proceedings) but does not obtain ownership and control of the underlying collateral assets, repossessed assets represent these credit-impaired loans and interest receivables that are not derecognised and continue to be measured at amortised cost less provision for impairment under HKFRS 9.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and other revenue reducing factors after eliminating sales within the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (Continued)

(a) Sales of properties

Revenue from sales of properties is recognised at a point in time when the ownership of the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives a fixed percentage of the contract value as deposits from customers or receipts in advance from customers when they sign the sale and purchase agreement. Deposits and instalments received on properties sold prior to the date of revenue recognition are recorded as contract liabilities under current liabilities.

(b) Rental income

Rental is recognised in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

(c) Interest income

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

2.21 Leases

Leases are recognised as a right-of-use asset (included in property, plant and equipment which are presented in the consolidated statement of financial position) and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

If a readily observable amortising loan rate is available to the Group (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Variable lease payments based on an index or rate are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Government grants

Grants from the government (including subsidies) are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.23 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the period/year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account, the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions or recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2022, if HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year would have been approximately HK\$3,196,000 lower/higher (2021: HK\$5,652,000), respectively, mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated payables in entities whose functional currency is RMB.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its loan receivables (Note 20) and interest receivables (Note 21). Loan receivables and interest receivables are issued at fixed rates which expose the Group to fair value interest rate risk.

The Group has no significant assets and liabilities which were interest-bearing at floating rates. The cash flow interest rate risk arising from assets and liabilities at floating rates is considered to be insignificant.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. For the receivables arising from sales of properties and property leasing, the Group managed the credit risk by fully receiving cash. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group's main income generating activities also include lending to customers. Therefore, credit risk is a principal risk.

The Group's credit risk arises from deposits and other receivables, cash and cash equivalents, repossessed assets, loan receivables and interest receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2022	2021
	HK\$'000	HK\$'000
Loan receivables	536,285	558,237
Interest receivables	7,184	5,253
Repossessed assets	27,928	–
Deposits and other receivables (Note 25)	3,778	1,894
Cash and cash equivalents	166,777	180,947
	741,952	746,331

As at 31 December 2022 and 31 December 2021, all of the Group's cash and cash equivalents are deposited in major financial institutions located in Mainland China and Hong Kong, which the Group's management believes are of high credit quality.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Credit risk management

The Group manages and analyses the credit risk for each of their new and existing money lending customers before standard payment terms and conditions are offered. In particular, the Group manages its credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, HKFRSs and relevant supervisory guidance.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, credit rating, geographic location etc.
- If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.
- Establishing a robust control framework regarding the authorization structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Measurement of ECL*

The Group has two types of financial assets that are subject to the expected credit loss model:

- loan receivables and interest receivables; and
- deposits and other receivables.

While repossessed assets and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Loan receivables and interest receivables

The Group measures loss allowance under HKFRS 9 ECL model. The measure 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 adjusted by forward-looking information.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial assets is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset. The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECL (Continued)

Loan receivables and interest receivables (Continued)

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's estimation of probabilities of default to individuals;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures;
- Determination of associations between macroeconomic scenarios and economic inputs, such as delinquency ratios and collateral values, and the effect on probabilities of default, exposures at default and losses given default; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECL (Continued)

Loan receivables and interest receivables (Continued)

The Group categorises the credit quality of its loan receivables and interest receivables according to 3 different stages under the ECL model:

- Stage 1: financial assets without significant increase in credit risk since initial recognition where loss allowance is calculated based on 12-month ECL.
- Stage 2: financial assets with significant increase in credit risk since initial recognition where loss allowance is calculated based on lifetime ECL.
- Stage 3: credit impaired assets where loss allowance is calculated based on lifetime ECL.

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:

- Significant deterioration in external market indicators of credit risk, e.g. a significant decrease in credit rating of 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECL (Continued)

Loan receivables and interest receivables (Continued)

Significant increase in credit risk (Continued)

- An actual or expected significant deterioration in the operating results of the debtor; and
- 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 debtors' 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.

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group collects performance and default information about its credit risk exposures and analyses all data collected using statistical model and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as delinquency rate on residential mortgage and residential property price index. The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECL (Continued)

Loan receivables and interest receivables (Continued)

Significant increase in credit risk (Continued)

The Group uses different criteria to determine whether credit risk has increased significantly and the Group presumes that the credit risk on a financial asset 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.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

The Group has controls and procedures in place to identify when the credit risk of an asset improves and the definition of significant increase in credit risk is no longer met. When this is the case the asset may move back to stage 1 from stage 2, subject to payments being up to date and the ability of the borrower to make future payments on time.

Default and credit-impaired

The Group considers that default has occurred when the instrument 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. In particular, the following qualitative indicators are taken into account in determining the risk of default occurring:

- probable bankruptcy entered by the borrowers; and
- death of the debtor.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) *Measurement of ECL (Continued)*

Loan receivables and interest receivables (Continued)

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses internal and external information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group uses multiple scenarios to model the nonlinear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios identified.

Deposits and other receivables

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is close to zero.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk exposure

Maximum exposure to credit risk before collateral held or other credit enhancements

According to the characteristics of risk level, the Group classifies the risk level of financial assets included in the measurement of expected credit losses into "Risk level 1", "Risk level 2", "Risk level 3" and "Default". "Risk level 1" means that the asset credit quality is good, there is sufficient evidence to show that the asset is not expected to default; "Risk level 2" means that the asset quality is relatively good, there is no reason or there is no sufficient reason to suspect that the asset is expected to default; "Risk level 3" refers to the unfavorable factors that may cause or have caused an asset default, but no default event has occurred or no significant default has occurred; The criteria for "Default" are consistent with the definition of credit-impaired assets. The following table provides an analysis of the credit risk exposure of financial instruments applicable to the expected credit loss measurement. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk exposure (Continued)

The movements in book value of loan and interest receivables

	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
Balance as at 31 December 2020	434,189	2,558	31,073	467,820
New loans originated	371,776	1,828	2,419	376,023
Repayments	(233,495)	(1,986)	(7,662)	(243,143)
– Transfers from Stage 1 to Stage 2	(4,728)	4,728	–	–
– Transfers from Stage 1 to Stage 3	(10,238)	–	10,238	–
– Transfers from Stage 2 to Stage 3	–	(646)	646	–
Total transfers between stages	(14,966)	4,082	10,884	–
Write-offs	(6,323)	(128)	(4,987)	(11,438)
Balance as at 31 December 2021	551,181	6,354	31,727	589,262
New loans originated	384,834	5,722	9,017	399,573
Repayments	(294,183)	(4,411)	(33,828)	(332,422)
Transferred to repossessed assets	–	–	(32,477)	(32,477)
– Transfers from Stage 1 to Stage 2	(2,828)	2,828	–	–
– Transfers from Stage 1 to Stage 3	(71,937)	–	71,937	–
– Transfers from Stage 2 to Stage 3	–	(1,882)	1,882	–
Total transfers between stages	(74,765)	946	73,819	–
Write-offs	(15,616)	(1,977)	(12,949)	(30,542)
Balance as at 31 December 2022	551,451	6,634	35,309	593,394



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk exposure (Continued)

Movements in ECL allowance on loan and interest receivables

	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
Balance as at 31 December 2020	13,193	815	5,121	19,129
New loans originated	15,253	1,419	1,258	17,930
Repayments	(8,549)	(805)	(1,493)	(10,847)
– Transfers from Stage 1 to Stage 2	(54)	54	–	–
– Transfers from Stage 1 to Stage 3	(195)	–	195	–
– Transfers from Stage 2 to Stage 3	–	(9)	9	–
Total transfers between stages	(249)	45	204	–
Changes in risk parameters	(1,841)	370	1,031	(440)
Balance as at 31 December 2021	17,807	1,844	6,121	25,772
New loans originated	26,552	4,139	9,844	40,535
Repayments	(12,804)	(1,844)	(1,771)	(16,419)
Provisions transferred to repossessed assets	–	–	(4,549)	(4,549)
– Transfers from Stage 1 to Stage 2	(166)	166	–	–
– Transfers from Stage 1 to Stage 3	(466)	–	466	–
Total transfers between stages	(632)	166	466	–
Changes in risk parameters	(170)	506	4,250	4,586
Balance as at 31 December 2022	30,753	4,811	14,361	49,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of significant increase in credit risk and the measurement of ECLs.

The following table shows the impact on ECL allowance on loan receivables and interest receivables as at 31 December 2022 and 31 December 2021 by changing individual inputs.

Change in inputs on ECL model	2022	2021
Assuming a further 10% weighting added to the probability of the optimistic scenario and a corresponding 10% weighting reduction in the base scenario	Decrease by HK\$2,560,000	Decrease by HK\$1,415,000
Assuming a further 10% weighting added to the probability of the pessimistic scenario and a corresponding 10% weighting reduction in the base scenario	Increase by HK\$5,390,000	Increase by HK\$4,136,000
Assuming the forecast collateral value increased by 10%	Decrease by HK\$2,156,000	Decrease by HK\$1,708,000
Assuming the forecast collateral value decreased by 10%	Increase by HK\$3,442,000	Increase by HK\$2,512,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(v) *Collateral held as security*

The Group holds collateral against certain loan receivables in the form of mortgages over property. As at 31 December 2022, 35% of the Group's gross loan receivables were secured by mortgages over property (2021: 62%) and 4% of the Group's loan receivables were secured by shares of a listed company (2021: 5%). Majority of the collateral are residential properties and commercial properties and all of the collateral is located in Hong Kong.

In the majority of mortgage loan cases, the Group grants loans with a loan-to-value ratio of no more than 75% of the value in the valuation report of the property used as collateral for property mortgages. Approval from senior management of the subsidiaries is needed for loans granted with a loan-to-value ratio that exceed 75%. Senior management of the subsidiaries meet regularly to review the loan to value ratio and when (1) there is a significant change in the property price index in Hong Kong; or (2) when loans are renewed. The directors and senior management of the Group consider that the credit risk arising from the loan and interest receivables is significantly mitigated by the property held as collateral, with reference to the market value of the property which were valued by an independent third party valuer as at the end of the reporting period.

(c) Liquidity risk

The Group's primary cash requirements, apart from granting loans to customers, are for repayment of amount due to a related company, deferred consideration payable and operating expenses. The Group finances its working capital requirements with funds generated from operations.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through borrowing from a director to meet its working capital requirements.

The below table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than one year HK\$'000	Between one and two years HK\$'000	Total HK\$'000
As at 31 December 2022			
Other payables and accruals	166,538	–	166,538
Amount due to a related party	1,732	–	1,732
Lease liabilities	704	98	802
	168,974	98	169,072
As at 31 December 2021			
Other payables and accruals	44,454	160,502	204,956
Amount due to a related party	1,936	–	1,936
Lease liabilities	840	560	1,400
	47,230	161,062	208,292

3.2 Capital risk management

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the consolidated statement of financial position. The Group's strategy remains unchanged and the gearing ratio and net cash position of the Group as at 31 December 2022 are as follows:

	2022 HK\$'000	2021 HK\$'000
Total liabilities	178,599	211,703
Less: cash and cash equivalents (Note 27)	(166,777)	(180,947)
Net debt	11,822	30,756
Total equity	1,092,107	1,122,902
Gearing ratio	0.01	0.03

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2022 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values. The financial assets at fair value through profit or loss are recorded at quoted bid prices in an active market and are classified as level 1 fair value measurement. The fair value estimation of leasehold land and buildings and investment properties that are measured at fair value are set out in Note 16 and Note 17, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for loan and interest receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.1(b), which also sets out key sensitives of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Determining liquidation discount from collateral value of property mortgages;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relation weightings of forward-looking scenarios.

(b) Estimated valuation of investment properties and leasehold land and buildings

The Group carries its investment properties and leasehold land and buildings at fair value with changes in the fair value recognised in profit or loss and other comprehensive income, respectively. It obtains independent valuations at least annually. At the end of each reporting period, management updates its assessment of the fair value of the properties, taking into account the most recent independent valuations. Refer to Note 16 and Note 17 for the assumptions, valuation techniques and fair value measurement of leasehold land and buildings and investment properties.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Net realisable values of completed properties for sale

The Group assesses the carrying amounts of completed properties for sale according to their net realisable value based on the realisability of these properties. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(d) Estimated useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation/amortisation for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment and intangible assets of similar nature and functions. The useful lives could be changed as a result of asset utilisation, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. Management will change the depreciation/amortisation charge where useful lives are different from the previously estimated lives.

(e) Taxation

The Group is subject to income taxes, land appreciation tax and withholding tax in the PRC and Hong Kong as applicable. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the CODM that are used to make strategic decisions. The CODM is identified as the executive directors of the Company.

During the year ended 31 December 2022, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

- Property development and investment – Property development for sale of properties in the PRC and property investment for letting of properties in Hong Kong and the PRC.
- Money lending – Provide mortgage and personal loan financing to customers

The CODM reviews the performance of the Group on a regular basis and reviews the Group's internal reporting in order to assess performance and allocate resources.

Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

The segment results and other segment items are as follows:

	Property development and investment HK\$'000	Money lending HK\$'000	Total HK\$'000
For the year ended 31 December 2022			
Revenue	3,552	159,318	162,870
Segment results	(16,466)	48,492	32,026
Unallocated other income			89
Unallocated other losses, net			(52)
Unallocated expenses			(7,270)
Profit before income tax			24,793
For the year ended 31 December 2021			
Revenue	5,456	106,979	112,435
Segment results	564	41,934	42,498
Unallocated other income			19
Unallocated other gains, net			1,054
Unallocated expenses			(11,834)
Profit before income tax			31,737

For the years ended 31 December 2022 and 2021, unallocated expenses and unallocated other gains and losses represent corporate expenses and unrealised net exchange gains/(losses), respectively. Segment results represent the profit/(loss) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities are as follows:

	Property development and investment HK\$'000	Money lending HK\$'000	Total HK\$'000
As at 31 December 2022			
Assets			
Segment assets	350,536	654,188	1,004,724
Unallocated assets			265,982
Total assets			1,270,706
Liabilities			
Segment liabilities	11,200	164,493	175,693
Unallocated liabilities			2,906
Total liabilities			178,599
As at 31 December 2021			
Assets			
Segment assets	425,584	603,391	1,028,975
Unallocated assets			305,630
Total assets			1,334,605
Liabilities			
Segment liabilities	11,898	196,452	208,350
Unallocated liabilities			3,353
Total liabilities			211,703



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

All assets are allocated to operating and reportable segments other than certain property, plant and equipment, financial assets at FVPL, certain cash and cash equivalents and certain deposits, prepayments and other receivables.

All liabilities are allocated to operating and reportable segments other than amount due to a related company, certain other payables and accruals and certain income tax payable.

Amounts included in the measure of segment results are as follows:

	Property development and investment HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended 31 December 2022				
Depreciation	–	(1,231)	(2,812)	(4,043)
Amortisation	–	(1,348)	–	(1,348)
Interest income	1,536	5	19	1,560
Interest expense	–	(8,091)	–	(8,091)
Income tax expense	(522)	(9,082)	–	(9,604)
For the year ended 31 December 2021				
Depreciation	–	(1,384)	(5,259)	(6,643)
Amortisation	–	(2,301)	–	(2,301)
Interest income	1,659	10	12	1,681
Interest expense	–	(7,195)	–	(7,195)
Income tax expense	(2,471)	(7,999)	–	(10,470)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

Revenue from external customers, based on the location where the ownership of the goods are transferred and services are rendered, and non-current assets, other than deferred income tax assets, by geographical location are as follows:

	Revenue from external customers		Non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	161,178	108,839	943,163	1,003,985
The PRC	1,692	3,596	37	39
	162,870	112,435	943,200	1,004,024

For the years ended 31 December 2022 and 2021, no single customer contributed to 10% or more of the Group's total revenue.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

A reconciliation of reportable segment assets to total assets and reportable segment liabilities to total liabilities is provided as follows:

	2022	2021
	HK\$000	HK\$000
Reportable segment assets	1,004,724	1,028,975
Property, plant and equipment	234,000	269,030
Deposits, prepayments and other receivables	1,998	2,127
Financial assets at fair value through profit or loss	107	152
Cash and cash equivalents	29,877	34,321
Total assets per consolidated statement of financial position	1,270,706	1,334,605
Reportable segment liabilities	175,693	208,350
Amount due to a related company	1,732	1,936
Deferred income tax liabilities	–	271
Other payables and accruals	1,174	1,146
Total liabilities per consolidated statement of financial position	178,599	211,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

	2022	2021
	HK\$'000	HK\$'000
Interest income from money lending business	159,318	106,979
Rental income from investment property and completed properties for sale	3,552	3,691
Sales of properties in the PRC	–	1,765
	162,870	112,435

7 OTHER INCOME

	2022	2021
	HK\$'000	HK\$'000
Interest income on bank deposits	1,560	1,681
Government subsidies (Note)	668	–
Sundry income	107	68
	2,335	1,749

Note: Government subsidies represent subsidies from “Employment Support Scheme” launched by Hong Kong government to provide financial support to employers to retain employees. There are no unfulfilled conditions or other conditions or other contingencies attaching to these subsidies.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OTHER (LOSSES)/GAINS, NET

	2022	2021
	HK\$'000	HK\$'000
Exchange gains, net	28	4,936
Gain on termination of leases	–	3
Fair value (loss)/gain on financial assets at fair value through profit or loss	(45)	5
Property, plant and equipment written off (Note 16)	–	(8)
	(17)	4,936

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS EMOLUMENTS)

	2022	2021
	HK\$'000	HK\$'000
Wages, salaries and other allowances	16,992	14,476
Retirement benefit – defined contribution plans	564	583
	17,556	15,059

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS EMOLUMENTS) (CONTINUED)

(a) Retirement benefit – defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plan for its employees in Mainland China, which is a defined contribution plan. The Group and its employees contribute, respectively, part of the employees' basic wages/salary as specified by the local government, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% (2021: 5%) of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a cap of HK\$1,500 (2021: HK\$1,500) and thereafter contributions are voluntary. No forfeited contributions are available to reduce contributions payable in the future.

During the year ended 31 December 2022, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK\$564,000 (2021: HK\$583,000). As at 31 December 2022, the Group was not entitled to any forfeited contributions to reduce its future contributions (2021: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS EMOLUMENTS) (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2021: three) directors whose emolument is reflected in the analysis shown in Note 37. The emoluments payable to the remaining three (2021: two) individuals during the period are as follows:

	2022 HK\$'000	2021 HK\$'000
Basic salaries, allowances and benefits in kind	1,886	1,309
Retirement benefit – defined contribution plan	52	36
	1,938	1,345

No inducement fee nor compensation for loss of office has been paid to or is receivable by any of these individuals (2021: Nil).

The emoluments fell within the following bands:

	2022	2021
Emolument bands		
Nil to HK\$1,000,000	3	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 PROVISION FOR IMPAIRMENT AND WRITE-OFF OF LOAN AND INTEREST RECEIVABLES

	Year ended 31 December 2022			Total HK\$'000
	12 months ECL (Stage 1) HK\$'000	Lifetime ECL not credit impaired (Stage 2) HK\$'000	Lifetime ECL credit impaired (Stage 3) HK\$'000	
Net charge for provision for impairment on loan and interest receivables	12,947	2,967	12,788	28,702
Write-off of loan receivables	15,616	1,977	12,949	30,542
Recovery of loan and interest receivables written-off	-	-	(1,461)	(1,461)
	28,563	4,944	24,276	57,783

	Year ended 31 December 2021			Total HK\$'000
	12 months ECL (Stage 1) HK\$'000	Lifetime ECL not credit impaired (Stage 2) HK\$'000	Lifetime ECL credit impaired (Stage 3) HK\$'000	
Net charge for provision for impairment on loan and interest receivables	4,616	1,029	1,000	6,645
Write-off of loan receivables	6,323	128	4,987	11,438
Recovery of loan and interest receivables written-off	-	-	(834)	(834)
	10,939	1,157	5,153	17,249



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 OTHER OPERATING EXPENSES

	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration		
– Audit services	2,120	2,607
– Non-audit services	350	350
Amortisation of intangible assets (Note 18)	1,348	2,301
Bank charges	1,540	908
Commission expenses	923	2,555
Computer accessories	1,160	978
Depreciation of property, plant and equipment (Note 16)	4,043	6,643
Expenses relating to short-term leases (Note 23)	359	708
Legal and professional fees	1,048	1,739
Valuation and search fees	1,326	1,943
Recruitment fees	511	–
Others	3,322	2,825
	18,050	23,557

12 FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Unwinding of interest on deferred consideration payable	8,042	7,170
Interest expense on lease liabilities (Note 23)	49	25
	8,091	7,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2022 and 31 December 2021:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paid up issued share capital	Direct and indirect ownership	
				2022	2021
Directly held:					
Termbray Electronics (B.V.I.) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100%	100%
Indirectly held:					
Ever Success Properties Limited	Hong Kong, limited liability company	Investment holding in the PRC	100 ordinary shares of HK\$1 each	100%	100%
Termbray (China) Land Development Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%
Termbray (Fujian) Land Development Company Limited	Hong Kong, limited liability company	Property investment in Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%
Termbray (Guangzhou) Land Development Company Limited	Hong Kong, limited liability company	Property holding in Hong Kong	10,000 ordinary shares of HK\$1 each	100%	100%
Termbray Electronics Company Limited	Hong Kong, limited liability company	Investment holding and treasury activities in Hong Kong	2 ordinary shares of HK\$100 each and 10,000 non-voting deferred shares of HK\$100 each	100%	100%
X8 Finance Limited	Hong Kong, limited liability company	Money lending business in Hong Kong	1 ordinary share of HK\$1 each	100%	100%
Zhongshan Ever Success Properties Limited	The PRC, limited liability company	Property development in the PRC	Registered capital of RMB1,500,000	100%	100%
aEasy Credit Investment Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	292,603,752 ordinary shares of HK\$1 each	100%	100%
Zero Finance Hong Kong Limited	Hong Kong, limited liability company	Money lending business in Hong Kong	270,500,000 ordinary shares of HK\$1 each	100%	100%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. The Group has estimated the tax provision for PRC Land Appreciation Tax ("LAT") according to the requirements set forth in the relevant PRC tax laws and regulations.

Hong Kong profits tax for the year ended 31 December 2022 have been provided for the rate of 8.25% for the first HK\$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above HK\$2,000,000 for an entity of the Group qualified for the two-tiered profits tax rates regime. For group entities not qualifying for the two-tiered profits tax rates regime, Hong Kong profits tax has been provided for at a flat rate of 16.5% (2021: same).

The amount of income tax expense charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2022 HK\$'000	2021 HK\$'000
Current income tax		
– PRC enterprise income tax	513	240
– PRC land appreciation tax	–	320
– Hong Kong profits tax	12,322	9,538
– (Over)/under provision in prior years	(137)	286
	12,698	10,384
Deferred income tax (Note 28)	(3,094)	86
Income tax expense	9,604	10,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise as follows:

	2022	2021
	HK\$'000	HK\$'000
Profit before income tax	24,793	31,737
Tax calculated at domestic tax rates applicable profits in the respective places of business	5,913	7,648
Income not subject to tax	(1,558)	(1,434)
Expenses not deductible for tax purposes	5,386	3,650
Tax effect of LAT	–	320
(Over)/under provision in prior years	(137)	286
Income tax expense	9,604	10,470

The weighted average applicable tax rate for the year ended 31 December 2022 was 23.8% (2021: 24.1%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 April 2008 and applies to earnings after 31 March 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, deferred income tax has not been provided for in the consolidated financial statements (Note 28) in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences, does not plan to repatriate, and it is probable that the temporary differences will not reverse in the foreseeable future.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 EARNINGS PER SHARE

15.1 Basic earnings per share

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

	2022	2021
Profit attributable to owners of the Company (HK\$'000)	15,189	21,267
Weighted average number of ordinary shares in issue ('000)	2,667,643	2,667,643
Basic earnings per share (HK cents)	0.57	0.80

15.2 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2021 and hence the diluted earnings per share is the same as the basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Furniture, fixtures, equipment and leasehold improvements HK\$'000	Motor vehicles HK\$'000	Leased office premise HK\$'000	Total HK\$'000
Cost or revaluation:						
At 1 January 2022	260,220	8,810	13,803	5,900	1,629	290,362
Additions	-	-	498	-	273	771
Lease modification	-	-	-	-	(49)	(49)
(Loss)/gain on revaluation	(36,450)	1,420	-	-	-	(35,030)
At 31 December 2022	223,770	10,230	14,301	5,900	1,853	256,054
Accumulated depreciation:						
At 1 January 2022	-	-	13,240	5,900	272	19,412
Depreciation charge during the year (Note 11)	2,344	466	401	-	832	4,043
Loss on revaluation	(2,344)	(466)	-	-	-	(2,810)
At 31 December 2022	-	-	13,641	5,900	1,104	20,645
Net book value						
At 31 December 2022	223,770	10,230	660	-	749	235,409
An analysis of cost or revaluation:						
At cost	-	-	660	-	749	1,409
At revaluation	223,770	10,230	-	-	-	234,000
	223,770	10,230	660	-	749	235,409



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land HK\$'000	Buildings HK\$'000	Furniture, fixtures, equipment and leasehold improvements HK\$'000	Motor vehicles HK\$'000	Leased office premise HK\$'000	Total HK\$'000
Cost or revaluation:						
At 1 January 2021	384,790	12,710	13,690	5,900	2,508	419,598
Additions	-	-	129	-	-	129
Write-off (Note 8)	-	-	(16)	-	-	(16)
Lease modification	-	-	-	-	(605)	(605)
Termination of leases	-	-	-	-	(274)	(274)
Transfer to investment properties (Note 17)	(64,002)	(2,807)	-	-	-	(66,809)
Loss on revaluation	(60,568)	(1,093)	-	-	-	(61,661)
At 31 December 2021	260,220	8,810	13,803	5,900	1,629	290,362
Accumulated depreciation:						
At 1 January 2021	-	-	12,710	5,900	1,747	20,357
Depreciation charge during the year (Note 11)	4,549	704	538	-	852	6,643
Transfer to investment properties (Note 17)	(1,602)	(207)	-	-	-	(1,809)
Write-off (Note 8)	-	-	(8)	-	-	(8)
Lease modification	-	-	-	-	(2,234)	(2,234)
Termination of leases	-	-	-	-	(93)	(93)
Loss on revaluation	(2,947)	(497)	-	-	-	(3,444)
At 31 December 2021	-	-	13,240	5,900	272	19,412
Net book value						
At 31 December 2021	260,220	8,810	563	-	1,357	270,950
An analysis of cost or revaluation:						
At cost	-	-	563	-	1,357	1,920
At revaluation	260,220	8,810	-	-	-	269,030
	260,220	8,810	563	-	1,357	270,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expenses of HK\$4,043,000 (2021: HK\$6,643,000) has been charged within “Other operating expenses” in the consolidated statement of profit or loss.

At 31 December 2022 and 31 December 2021, certain leasehold land and buildings in Hong Kong is used as accommodation to certain directors of the Company.

The Group has accounted for leasehold land and buildings using the revaluation model.

(a) Valuation process of the Group

The Group’s leasehold land and buildings were valued as at 31 December 2022 and 31 December 2021 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Ltd (“Vigers”), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the leasehold land and buildings valued. For all leasehold land and buildings, their current use equates to the highest and best use. The resulting loss arising on revaluation of HK\$32,220,000 (2021: HK\$58,217,000) has been debited to the property revaluation reserve.

The recurring fair value measurements for leasehold land and buildings are included in level 3 of the fair value hierarchy. The Group’s policy is to recognise transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfers between 1, 2 and 3 during the year (2021: Nil).

(b) Valuation techniques

The valuation of the property was determined using the direct comparison method (Level 3 approach) (2021: direct comparison method) by making reference to comparable market transactions of similar properties. The most significant input into this valuation approach is the unit sale price, taking into account the differences in transaction time, location, frontage and size etc. between the comparables and the property, which amounted to HK\$77,500 (2021: HK\$89,000) per square foot on a saleable area basis. An increase in the unit sale price adopted would result in an increase in the fair value measurement of the leasehold land and buildings, and vice versa.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES

	HK\$'000
At 1 January 2021	183,300
Transfer from property, plant and equipment	65,000
Fair value loss on revaluation	(6,780)
At 31 December 2021	241,520
Fair value loss on revaluation	(19,520)
At 31 December 2022	222,000

At 31 December 2022, there were two investment properties (2021: two). One of the investment properties of the Group was let out to Mr. Lee Wing Keung, a son of Mr. Lee Lap and brother of Mr. Tommy Lee, directors of the Company, details of which are set out in Note 35. The Group is still searching for potential tenant for another investment property.

The Group leases out its land and buildings under non-cancellable operating lease arrangements. The lease term is 3 years (2021: 3 years). The Group has classified these leases as operating leases. Rental income from this investment property for the year amounted to HK\$1,860,000 (2021: HK\$1,860,000).

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental income'. Refer to Note 34 for disclosures of minimum lease payments receivables on leases of investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES (CONTINUED)

(a) Valuation process of the Group

The Group's investment properties were valued as at 31 December 2022 and 31 December 2021 by an independent professionally qualified valuer, Vigers, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment property valued. For the investment properties, their current use equates to the highest and best use. The fair value losses are included in the consolidated statement of profit or loss.

The recurring fair value measurement for investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between 1, 2 and 3 during the year (2021: Nil).

(b) Valuation techniques

The valuations of investment properties were determined using the direct comparison method (Level 3 approach) (2021: income approach or direct comparison method) by making reference to comparable market transactions of similar properties and/or the existing tenancy agreement. At the time of the fair value estimates, the highest and best use of the properties was their current use. For the properties valued based on the direct comparison method, the most significant input into this valuation approach is the unit sale price, taking into account the differences in transaction time, location and size etc. between the comparables and the properties, which amounted to HK\$26,300 and HK\$50,000 (2021: HK\$26,400) per square foot on a saleable area basis. An increase in the unit sale price adopted would result in an increase in the fair value measurement of the investment properties by the same magnitude, and vice versa (2021: for the property valuation based on income approach, the market rental of the property under current lease is assessed and discounted at the market yield expected by investors and provision for the reversionary potential for this type of property, of amount to HK\$56,700 per square foot on saleable area basis).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTANGIBLE ASSETS

	Mobile application HK\$'000	Brand name HK\$'000	Total HK\$'000
Cost:			
At 1 January 2021, 31 December 2021 and 31 December 2022	1,242	13,480	14,722
Accumulated amortisation:			
At 1 January 2021	(289)	(225)	(514)
Amortisation expenses during the year (Note 11)	(953)	(1,348)	(2,301)
At 31 December 2021	(1,242)	(1,573)	(2,815)
Amortisation expenses during the year (Note 11)	–	(1,348)	(1,348)
At 31 December 2022	(1,242)	(2,921)	(4,163)
Net book value			
At 31 December 2022	–	10,559	10,559
At 31 December 2021	–	11,907	11,907

19 COMPLETED PROPERTIES FOR SALE

The completed properties for sale are stated at the lower of cost and net realisable value. No impairment loss was recognised for the year ended 31 December 2022 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 LOAN RECEIVABLES

	2022	2021
	HK\$'000	HK\$'000
Gross loan receivables – property mortgage loans	204,246	363,139
Gross loan receivables – personal loans	354,994	191,870
Gross loan receivables – corporate loan	26,000	29,000
Total gross loan receivables	585,240	584,009
Less: Provision for impairment – Stage 1	(30,313)	(17,807)
Provision for impairment – Stage 2	(4,697)	(1,844)
Provision for impairment – Stage 3	(13,945)	(6,121)
Total provision for impairment	(48,955)	(25,772)
Loan receivables, net of provision	536,285	558,237
Less: Non-current portion	(475,232)	(479,483)
Current portion	61,053	78,754

The Group's loan receivables, which arise from the money lending business of providing property mortgage loans, personal loans and corporate loan in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for personal loan receivables of HK\$354,994,000 as at 31 December 2022 (2021: HK\$191,870,000) which are unsecured, the loan receivables are secured by collaterals, interest-bearing and repayable with fixed terms agreed with the customers.

The Group's maximum credit risk exposure of loan receivables as at 31 December 2022 is set out in Note 3.1(b).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 LOAN RECEIVABLES (CONTINUED)

A maturity profile of the loan receivables as at the end of the reporting period, based on the maturity date, net of provision, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	61,053	155,540
One to two years	35,125	38,886
Two to five years	302,194	148,070
Over five years	137,913	215,741
	536,285	558,237

21 INTEREST RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Interest receivables – property mortgage loans	3,146	1,799
Interest receivables – personal loans	4,038	3,454
	7,184	5,253

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for interest receivables of personal loans of HK\$4,038,000 as at 31 December 2022 (2021: HK\$3,454,000) which are unsecured, the interest receivables are secured by collaterals and repayable with fixed terms agreed with the customers.

Interest receivables as at the end of the reporting period, net of provision, have maturities within one year.

The Group's maximum credit risk exposure of loan receivables as at 31 December 2022 is set out in Note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 REPOSSESSED ASSETS

The nature and carrying value of these assets held as at 31 December 2022 and 2021 are summarised as follows:

	2022 HK\$'000	2021 HK\$'000
Repossessed assets – residential properties	27,928	–

As at 31 December 2022, the repossessed assets represent the credit-impaired loans and interest receivables which the Group has the right to rent or sell the underlying collateral assets, but does not obtain any ownership and control of the underlying collateral assets, in order to recover the outstanding receivables balances. These receivables continue to be measured at amortised cost less provision for impairment under HKFRS 9, with reference, to a certain extent, to the fair value of the underlying collateral assets.

No provision for impairment of repossessed assets was made as at 31 December 2022 (2021: Nil). Note 3.1(b) provides for details of how the expected credit loss allowance is measured.

23 LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

	2022 HK\$'000	2021 HK\$'000
Lease liabilities		
Current portion	685	810
Non-current portion	96	554
	781	1,364



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 LEASE LIABILITIES (CONTINUED)

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	2022 HK\$'000	2021 HK\$'000
Interest expense on lease liabilities (Note 12)	49	25
Expenses relating to short-term leases (Note 11)	359	708

The total cash outflow for leases liabilities for the year ended 31 December 2022 was HK\$856,000 (2021: HK\$929,000).

24 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK\$'000	2021 HK\$'000
Financial assets at amortised cost		
Loan receivables (Note 20)	536,285	558,237
Interest receivables (Note 21)	7,184	5,253
Repossessed assets (Note 22)	27,928	–
Deposits and other receivables (Note 25)	3,778	1,894
Cash and cash equivalents (Note 27)	166,777	180,947
	741,952	746,331
Financial assets at fair value through profit or loss (Note 26)	107	152
	742,059	746,483
Financial liabilities at amortised cost		
Other payables and accruals (Note 31)	159,504	189,880
Amount due to a related company	1,732	1,936
Lease liabilities (Note 23)	781	1,364
	162,017	193,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments	1,411	2,205
Deposits	893	694
Other receivables	2,885	1,200
	5,189	4,099
Less non-current deposits	–	(164)
	5,189	3,935

The carrying amounts of the Group's deposits, prepayments and other receivables, which are neither past due nor impaired, approximate their fair values and are mainly denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HKD	5,036	4,009
RMB	153	90
	5,189	4,099

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Equity securities held for trading	107	152

The financial assets are listed instruments denominated in Hong Kong dollars.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CASH AND CASH EQUIVALENTS

	2022 HK\$'000	2021 HK\$'000
Cash at bank and on hand	166,777	180,947
Maximum exposure to credit risk	166,777	180,947

The carrying amounts of cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HKD	101,137	66,449
RMB	65,232	114,084
Others	408	414
	166,777	180,947

Cash and bank balances of the Group denominated in RMB which are deposited with the banks in the PRC are not freely convertible into other currencies. The Group can apply to exchange RMB for other currencies through banks authorised to conduct foreign exchange business under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX

All deferred income tax assets/(liabilities) of the Group are expected to be recovered after more than 12 months. The gross movement in deferred income tax account is as follows:

	HK\$'000
Deferred income tax assets	
At 1 January 2021	1,446
Debited to profit or loss (Note 14)	(53)
At 31 December 2021	1,393
Credited to profit or loss (Note 14)	2,823
At 31 December 2022	4,216
Deferred income tax liabilities	
At 1 January 2021	(238)
Debited to profit or loss (Note 14)	(33)
At 31 December 2021	(271)
Credited to profit or loss (Note 14)	271
At 31 December 2022	–



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

The nature of items giving rise to deferred income tax assets, without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

Deferred income tax assets

	Land appreciation tax HK\$'000	Provision for collective impairment of loans and interest receivables HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	1,278	2,301	136	3,715
(Charged)/credited to profit or loss	(1,278)	933	(12)	(357)
At 31 December 2021	–	3,234	124	3,358
(Charged)/credited to profit or loss	–	2,628	(27)	2,601
At 31 December 2022	–	5,862	97	5,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

The nature of items giving rise to deferred income tax liabilities, without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

Deferred income liabilities

	Intangible assets HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	(2,187)	(320)	(2,507)
Credited to profit or loss	222	49	271
At 31 December 2021	(1,965)	(271)	(2,236)
Credited to profit or loss	222	271	493
At 31 December 2022	(1,743)	–	(1,743)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$13,300,000 (2021: HK\$13,300,000) in respect of losses amounting to HK\$80,607,000 (2021: HK\$80,607,000) that can be carried forward against future taxable income with no expiry date (2021: same).

Pursuant to the relevant PRC corporate income tax rules and regulations, deferred tax on withholding tax is imposed on declared dividends in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008.

Deferred income tax liabilities of approximately HK\$4,842,000 (2021: HK\$5,823,000) as at 31 December 2022 have not been provided for in the consolidated statement of financial position in respect of temporary differences attributable to accumulated profits of the Group's certain PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and the Company has no intention to dividend out and will continue to reinvest in China.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary share of HK\$0.08 each at 1 January 2021, 31 December 2021 and 31 December 2022	2,800,000	224,000
Issued and fully paid:		
At 31 December 2021 and 31 December 2022	2,667,643	213,411

30 RESERVES

The amount of the Group's reserve and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity.

No dividend was paid in respect of the year ended 31 December 2022 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Deferred consideration payable (Note a)	153,468	185,426
Rental deposits	429	427
Accrued audit fee	1,981	1,595
Accrued employee benefits expenses	2,079	1,340
Other payables and accrued expenses	3,626	2,432
Other payables and accruals	161,583	191,220
Less: Non-current portion of deferred consideration payable	–	(146,742)
	161,583	44,478
Contract liabilities (Note b)	–	–

- (a) Deferred consideration payable represents the purchase consideration for acquiring aEasy Credit Investment Limited and its subsidiaries from Earth Axis Investment Limited, a company controlled by Mr. Tommy Lee, a director of the Company, on 23 September 2020. The balance of the consideration shall be settled on or before 31 December 2023.
- (b) The Group receives a fixed sum as deposits from customers when they sign the sale and purchase agreement. These deposits are recognised as contract liabilities until the customers obtain control of the completed properties. Revenue recognised in relation to contract liabilities:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liabilities balance at beginning of the year	–	284



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES (CONTINUED)

The carrying amounts of the Group's other payables and accruals and contract liabilities approximate their fair values and are denominated in following currencies:

	2022	2021
	HK\$'000	HK\$'000
HKD	160,116	189,687
RMB	1,467	1,533
	161,583	191,220

32 AMOUNT DUE TO A RELATED COMPANY

The balance is unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair values and are denominated in Hong Kong dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from/ (used in) operations:

<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Profit before income tax	24,793	31,737
Adjustments for:		
Interest income on bank deposits	(1,560)	(1,681)
Depreciation of property, plant and equipment	4,043	6,643
Amortisation of intangible assets	1,348	2,301
Interest expense on lease liabilities	49	25
Unwinding of interest on deferred consideration payable	8,042	7,170
Provision for impairment and write-off of loan and interest receivables	57,783	17,249
Fair value losses on investment properties	19,520	6,780
Fair value loss/(gain) on financial assets at fair value through profit or loss	45	(5)
Gain on termination of leases	–	(3)
Property, plant and equipment written-off	–	8
Unrealised net exchange gains	(28)	(4,936)
	114,035	65,288
Changes in working capital:		
Completed properties held for sale	–	484
Loan receivables	(63,759)	(129,729)
Interest receivables	(1,931)	(2,319)
Deposits, prepayments and other receivables	(1,090)	(10)
Other payables and accruals	(37,679)	(368)
Contract liabilities	–	(284)
Amount due to a related company	(204)	(915)
Cash generated from/(used in) operations	9,372	(67,853)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities HK\$'000
At 1 January 2021	(848)
Lease modification	(1,448)
Lease termination	3
Cash flows	929
At 31 December 2021 and 1 January 2022	(1,364)
New leases	(273)
Lease modification	49
Interest on lease liabilities	(49)
Cash flows	856
At 31 December 2022	(781)

(c) Major non-cash transactions

The major non-cash transactions for the year ended 31 December 2022 was the reclassification from loan receivables to repossessed assets amounted to HK\$27,928,000 (2021: Nil).

34 OPERATING LEASE COMMITMENTS – AS LESSOR

The Group's investment property of HK\$160,000,000 (2021: HK\$179,440,000) was let out under operating leases.

Certain completed properties for sale were also let out under operating leases. The directors of the Company considered that those properties leased out remained being classified as completed properties for sale, by taking into accounts of the fact the Group has put selling effort to sell the said properties and actual sales were incurred during the period. The Group has engaged certain property agents to search potential buyers, set up a sales office to support the sales activities and there are advertisements to boost the sales. Moreover, the properties held for sale let out are under short term leases in order to allow the flexibility to control the number of residential units available for sale. The management has been actively marketing these properties held for sale at a price that is reasonable to its current fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 OPERATING LEASE COMMITMENTS – AS LESSOR (CONTINUED)

All of the properties leased out have committed tenants ranging less than one month to two years (2021: one month to two years).

The future aggregate minimum lease payments receivables under non-cancellable operating leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Less than one year	430	1,928
One to two years	–	385
	430	2,313

35 RELATED PARTY DISCLOSURES

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) Other than the amount due to a related party (Note 32) and deferred consideration payable (Note 31), the Company's related party transactions are as follows:

	2022 HK\$'000	2021 HK\$'000
Balance with related party:		
Lease liabilities (Note iii)	232	–
Transactions with related parties:		
Administrative expense (Note i)	–	295
Rental income (Note ii)	1,860	1,860
Lease payments (Note iii)	104	96



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY DISCLOSURES (CONTINUED)

- (a) Other than the amount due to a related party (Note 32) and deferred consideration payable (Note 31), the Company's related party transactions are as follows: (Continued)

Note:

- (i) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises of Panda Investment during the year ended 31 December 2021 and terminated the tenancy agreement on 9 August 2021. The total rent paid during the year ended 31 December 2021 was HK\$295,000. Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.
 - (ii) Pursuant to tenancy agreements entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap and brother of Mr. Tommy Lee, directors of the Company, and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a term of three years from 16 March 2020 to 15 March 2023 at a monthly rent of HK\$155,000 (exclusive of rates, management fee and utility charges). The rental income recognised by the Group during the year is HK\$1,860,000 (2021: HK\$1,860,000).
 - (iii) The amount represents accruals/payments for leasing office premises to three related companies, which are ultimately held by certain directors of the Group.
- (b) In the opinion of the directors, the directors of the Company represented the key management personnel of the Company. During the year, HK\$6,549,000 (2021: HK\$8,598,000) was compensated to the key management personnel, details of which are set out in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2022 HK\$'000	2021 HK\$'000
Assets		
Non-current assets		
Investment in subsidiaries (Note)	938,853	938,853
Amounts due from subsidiaries	199,829	198,919
	1,138,682	1,137,772
Current assets		
Cash and cash equivalents	1,755	2,430
Other current assets	277	619
	2,032	3,049
Total assets	1,140,714	1,140,821
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	213,411	213,411
Reserves	888,235	890,948
Total equity	1,101,646	1,104,359
Liabilities		
Current liabilities		
Amount due to a subsidiary	38,057	35,694
Other current liabilities	1,011	768
Total liabilities	39,068	36,462
Total equity and liabilities	1,140,714	1,140,821

Note: The Company's balance of investment in subsidiaries represents its investment cost and the deemed investments arising from the waiver of amounts due from subsidiaries pursuant to the relevant written statements made by the Company on 1 April 2015.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus (Note) HK\$'000	Retained earnings HK\$'000
At 1 January 2021	545,966	191,810	156,330
Loss and total comprehensive loss for the year	–	–	(3,158)
At 31 December 2021	545,966	191,810	153,172
At 1 January 2022	545,966	191,810	153,172
Loss and total comprehensive loss for the year	–	–	(2,713)
At 31 December 2022	545,966	191,810	150,459

Note: The contributed surplus represents the difference between the shareholders' funds of the subsidiaries acquired and the nominal amount of the Company's share issued as consideration for the acquisition at the time of the group reorganisation implemented prior to the listing of the Company's shares in 1991.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and senior management's emoluments

The remuneration of the directors of the Company is set out below:

Name	Year ended 31 December 2022			Total HK\$'000
	Fees HK\$'000	Basic salaries, allowances and benefits-in-kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	
Executive directors				
Mr. Lee Lap	–	3,120	–	3,120
Mr. Tommy Lee (Note (i))	–	240	12	252
Mr. Chau Hau Shing (Note (ii))	–	2,654	18	2,672
Independent non-executive directors				
Mr. Lo Yiu Hee (Note (iv))	120	–	–	120
Mr. Tong Hin Wor (Note (v))	74	–	–	74
Mr. Ching Yu Lung (Note (vi))	35	–	–	35
Mr. Shu Wa Tung, Laurence (Note (vii))	171	–	–	171
Mr. Wu Wai Pan (Note (viii))	84	–	–	84
Ms. Chak Wai Ting (Note (ix))	21	–	–	21
	505	6,014	30	6,549



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(a) Directors' and senior management's emoluments (Continued)

Name	Year ended 31 December 2021			
	Fees HK\$'000	Basic salaries, allowances and benefits-in-kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Lee Lap	–	4,440	–	4,440
Mr. Tommy Lee (Note (ii))	–	240	12	252
Mr. Chau Hau Shing (Note (ii))	–	2,504	18	2,522
Mr. Wong Shiu Kee (Note (iii))	–	975	49	1,024
Independent non-executive directors				
Mr. Lo Yiu Hee (Note (iv))	120	–	–	120
Mr. Tong Hin Wor (Note (v))	120	–	–	120
Mr. Ching Yu Lung (Note (vi))	120	–	–	120
	360	8,159	79	8,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(a) Directors' and senior management's emoluments (Continued)

Notes:

- (i) The director is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.
- (ii) Appointed on 8 April 2021.
- (iii) Resigned on 8 April 2021.
- (iv) Retired on 10 June 2022.
- (v) Resigned on 12 August 2022.
- (vi) Resigned on 15 April 2022.
- (vii) Appointed on 15 April 2022.
- (viii) Appointed on 10 June 2022.
- (ix) Appointed on 9 November 2022.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 December 2022 (2021: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year ended 31 December 2022 (2021: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, body corporates controlled by and connected entities with such directors subsisted at the end of the period or at any time during the year ended 31 December 2022 (2021: Nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 31 December 2022 (2021: Nil).

During the year, the leasehold land and buildings of the Group with a rateable value of HK\$3,120,000 (2021: HK\$4,440,000) were provided as accommodation to certain directors of the Company and has been included in basic salaries, allowances and benefits-in-kind disclosed above.

LIST OF MAJOR PROPERTIES

PROPERTIES FOR SALE

Property location	Use	Approximate gross floor area Sq.m.	Group's attribution interest %
The PRC			
90-124 An Lan Road, Zhongshan, Guangdong Province	Commercial and car park	15,152	100
	Residential	6,536	100

PROPERTIES HELD BY THE GROUP FOR OWN USE

Property location	Use	Approximate gross floor area Sq.m.	Group's attribution interest %
Hong Kong			
Town House No. 7, No. 33 Black's Link, Mid-Levels East, Hong Kong	Residential	399	100

INVESTMENT PROPERTIES

Properties location	Use	Approximate gross floor area Sq.m.	Group's attribution interest %
Hong Kong			
House No.17, Manderly Garden, No. 48 Deep Water Bay Road, Island South, Hong Kong	Residential	334	100
House 23B, Beaulieu Peninsula, No. 2 Yu Chui Street, Tuen Mun, New Territories, Hong Kong	Residential	253	100



FIVE YEAR FINANCIAL SUMMARY

The following tables summarise certain consolidated financial information in respect of the Group's results, assets and liabilities for the last five financial years, as extracted from the audited consolidated financial statements.

CONSOLIDATED RESULTS

	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000	Nine months ended 31 December 2020 HK\$'000	Year ended 31 March 2020 HK\$'000	Year ended 31 March 2019 HK\$'000
Revenue	162,870	112,435	24,963	14,869	30,594
Profit/(loss) before income tax	24,793	31,737	46,543	(24,622)	(11,508)
Income tax expense	(9,604)	(10,470)	(584)	(2,361)	(8,372)
Profit/(loss) for the year/period attributable to owners of the Company	15,189	21,267	45,959	(26,983)	(19,880)

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December			As at 31 March	
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets					
Property, plant and equipment	235,409	270,950	399,241	392,820	409,278
Investment properties	222,000	241,520	183,300	180,000	187,000
Intangible assets	10,559	11,907	14,208	–	–
Deferred income tax assets	4,216	1,393	1,446	2,716	2,600
Loan receivables	475,232	479,483	348,836	91,957	22,892
Deposits	–	164	–	–	–
Pledged bank deposit	–	–	2,000	2,000	2,000
Current assets	323,290	329,188	419,898	264,194	346,714
TOTAL ASSETS	1,270,706	1,334,605	1,368,929	933,687	970,484
CURRENT LIABILITIES	(178,503)	(64,136)	(41,939)	(24,886)	(25,920)
NON-CURRENT LIABILITIES	(96)	(147,567)	(166,569)	(441)	(238)
NET ASSETS	1,092,107	1,122,902	1,160,421	908,360	944,326
Equity attributable to equity holders of the Company	1,092,107	1,122,902	1,160,421	908,360	943,909
Non-controlling interests	–	–	–	–	417
TOTAL EQUITY	1,092,107	1,122,902	1,160,421	908,360	944,326



FIVE YEAR FINANCIAL SUMMARY

PER SHARE DATA

	Year ended 31 December 2022 HK cents	Year ended 31 December 2021 HK cents	Nine months ended 31 December 2020 HK cents	Year ended 31 March 2020 HK cents	Year ended 31 March 2019 HK cents
Basic earnings/(loss) per share	0.57	0.80	2.17	(1.38)	(1.02)
Dividends per share					
Interim dividend	–	–	–	–	–
Final dividend	–	–	–	–	–
Net asset value per share	40.95	42.10	43.50	46.40	48.24