LEE HING DEVELOPMENT LIMITED
利興發展有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

CONTENTS

LEE HING DEVELOPMENT LIMITED
利興發展有限公司

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited consolidated financial statements of Lee Hing Development Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries and associates are shown in notes 9 and 10 to the consolidated financial statements respectively.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial performance of the Group for the financial year ended 31 December 2022 and the consolidated financial position of the Group at that date are exhibited in the annexed audited consolidated financial statements.

DIVIDENDS

No dividends were paid or proposed to be paid (2021: Nil).

SHARE CAPITAL

There are no changes in share capital of the Company.

RESERVES

The movements in reserves during the financial year are set out in the consolidated statement of changes in equity on page 10.

GROUP'S BORROWINGS

Details of bank borrowings are shown in note 19 to the consolidated financial statements.

DIRECTOR

1. The directors during the financial year and at the date of this report are:

Mr. TAN Boon Seng	(Managing Director)
Mr. FUNG Ka Pun	
Mr. LAM Man Kit	(Resigned on 19 October 2022)
Mr. HO Hau Chong, Norman	(Resigned on 19 October 2022)
Mr. LIM Lay Leng	(Resigned on 19 October 2022)
Mr. CHAN Kai Kwok	(Resigned on 1 January 2022)

2. In accordance with the Company's Articles of Association, the following director is due to retire and, being eligible, he offers himself for re-election:

   Mr. TAN Boon Seng

3. During the year and up to the date of this report, Mr. Tan Boon Seng is also a director of certain subsidiaries of the Company. Other directors of the Company's subsidiaries include Mr. Tan Yee Seng and Mr. Koreshige Mizutani.

4. Mr. Chan Kai Kwok, Mr. Lam Man Kit, Mr. Ho Hau Chong, Norman and Mr. Lim Lay Leng have confirmed that they have no disagreement with the Board of Directors and there is no other matter relating to their resignation that needs to be brought to the attention of the shareholders of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 29 to the consolidated financial statements, no transaction, arrangement or contract to which the Company or any of its subsidiaries was a party and in which a director of the Company had, whether directly or indirectly, a material interest subsisted at the end of the financial year or at any time during the fiancial year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year.

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the directors and officers of the Group.

MANAGEMENT CONTRACTS

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

BUSINESS REVIEW

The Group is principally engaged in share investment and dealing.

During the year under review, the Group's revenue and income were mainly attributable to net gain on financial assets at fair value through profit or loss - unlisted investments and listed investments of HK$11 million and HK$8 million respectively, and dividends from listed investments of HK$6 million. In 2022, the Group disposed 3,731,200 shares of PureCircle Limited at a consideration of HK$26 million and resulted a gain of HK$11 million, and 16,699,882 shares of IGB Berhad at consideration of HK$68 million and resulted in a gain of HK$8 million.

The Group recorded HK$28 million revenue and income for the year ended 31 December 2022, a 11% decrease as compared with last year. The decrease was largely attributable to decrease in dividend income from listed investments.

Operating profit after finance costs was HK$120 million, an increase of HK$194 million as compared with operating loss of HK$74 million last year. The increase was mainly attributable to unrealised gain of HK$99 million on financial assets at fair value through profit or loss - unlisted investments and unrealised gain of HK$12 million on financial assets at fair value through profit or loss - listed investments.

At 31 December 2022, the Group held interests in PureCircle Limited of HK$225 million and IGB Berhad of HK$80 million.

PureCircle Limited produces and distributes stevia sweeteners and flavors to food and beverages industry worldwide.

IGB Berhad is principally an investment holding company engaged in property investment and management, retail, hotel operations and construction. It also has private equity investments in the field of information and communications technology and water/wastewater treatment.

The Group has no control or influence over PureCircle Limited and IGB Berhad, hence, for the business performance, factors which may affect the share price and business outlook and future prospects of the two companies, shareholders and potential investors should refer to information published on the two websites, www.purecircle.com and www.igbbhd.com.

REPORT OF THE DIRECTORS (Continued)

BUSINESS REVIEW (Continued)

The Group will hold shares in PureCircle Limited and realise the value of such holding through the exit arrangement, put option and call option under the shareholders' agreement.

Depending on the market conditions and the availability of funding, the Group may acquire additional shares or dispose of some of its interest in IGB Berhad.

An analysis of the Group's financial risk management is shown in note 32 to the consolidated financial statements.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

The Group's success also depends on the support from key stakeholders which comprise employees, shareholders and banks. Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group. The Group also maintains adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

AUDITOR

The consolidated financial statements for the year have been audited by CHENG & CHENG LIMITED who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

TAN Boon Seng
Director

Hong Kong, 30 May 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
LEE HING DEVELOPMENT LIMITED
利興發展有限公司
(Incorporated in Hong Kong with limited liability)

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of Lee Hing Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 8 to 46, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, 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 Hong Kong Companies Ordinance.

Basis for qualified opinion

As at 31 December 2022, the fair value of the Group's investment in PureCircle Limited of HK$224,602,000 classified as financial assets at fair value through profit or loss was determined by reference to the latest sale price in the absence of sufficient information for carrying out a reasonable valuation. Consequently, we were unable to obtain sufficient appropriate audit evidence as to the fair value of investment in PureCircle Limited as at 31 December 2022 and quantify the effect, if any, on the Group's net assets as at 31 December 2022 and profit for the year ended 31 December 2022. Our audit opinion on the consolidated financial statements for the year ended 31 December 2022 is also modified because of the possible effect of our audit scope limitation on the fair value of the Group's investment in PureCircle Limited as at 31 December 2021 on the comparability of corresponding figures in the consolidated financial statements for the year ended 31 December 2022.

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

TO THE MEMBERS OF
LEE HING DEVELOPMENT LIMITED
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Information other than the consolidated financial statements and auditor's report thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient appropriate audit evidence about the fair value of investment in PureCircle Limited as at 31 December 2021 and 31 December 2022, loss for the year ended 31 December 2021 and profit for the year ended 31 December 2022. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

We communicate with the directors 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.

TO THE MEMBERS OF
LEE HING DEVELOPMENT LIMITED
利興發展有限公司
(Incorporated in Hong Kong with limited liability)

Report on other matters under section 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the fair value of financial assets at fair value through profit or loss - unlisted investments as at 31 December 2021 and 31 December 2022 as described in the Basis for qualified opinion section of our report above:

- We have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

CHENG & CHENG LIMITED
Certified Public Accountants

Hong Kong, 30 May 2023

Lam Hok Nin, Sammy
Practising Certificate number P02975

LEE HING DEVELOPMENT LIMITED
利興發展有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Investment property	7	63,500	60,700
Property, plant and equipment	8	15,546	15,791
Associates	10	22,051	22,957
Financial assets at fair value through profit or loss	11	224,602	140,111
Financial assets at fair value through other comprehensive income	12	7,199	6,438
Other non-current assets	13	-	-
Pledged bank deposit		-	7,871
		332,898	253,868
Current assets			
Financial assets at fair value through profit or loss	14	80,154	132,563
Derivative financial instruments	15	-	19
Other assets	16	295	295
Accounts receivable, deposits and prepayments		5,684	1,268
Current tax assets		54	50
Time deposits and bank balances		13,694	2,013
		99,881	136,208
Non-current assets classified as assets held for sale	17	-	9,550
		99,881	145,758
Current liabilities			
Other loans	29(a)	46,400	13,500
Accounts payable, deposits and accruals		1,968	3,045
Derivative financial instruments	15	932	-
Other payable	18	348	348
Bank borrowings	19	19,423	71,572
		69,071	88,465
Net current assets		30,810	57,293
Total assets less current liabilities		363,708	311,161
Non-current liabilities			
Bank borrowings	19	-	66,814
Net assets		363,708	244,347
Capital and reserves			
Share capital	20	717,808	717,808
Reserves	21	(354,100)	(473,461)
		363,708	244,347

TAN Boon Seng
Director

FUNG Ka Pun
Director

The attached notes form an integral part of these consolidated financial statements.

LEE HING DEVELOPMENT LIMITED
利興發展有限公司

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 and income	22	27,801	31,377
Unrealised (loss)/gain on derivative financial instruments		(937)	19
Impairment loss on freehold land		-	(739)
Gain on revaluation of investment properties		2,800	700
Unrealised gain/(loss) on financial assets at fair value through profit or loss - listed investments		12,423	(43,017)
Unrealised gain/(loss) on financial assets at fair value through profit or loss - unlisted investments		98,718	(36,986)
Net gain on disposal of freehold land		1,568	-
Operating expenses		(17,133)	(19,846)
Operating profit/(loss) before finance costs	23	125,240	(68,492)
Finance costs	25	(5,480)	(5,502)
Operating profit/(loss) after finance costs		119,760	(73,994)
Share of results of associates		(79)	(52)
Profit/(loss) before taxation		119,681	(74,046)
Income tax	26	(4)	(12)
Profit/(loss) attributable to owners of the Company		119,677	(74,058)
Other comprehensive loss	27	(342)	(4,834)
Total comprehensive income/(loss) attributable to owners of the Company		119,335	(78,892)

The attached notes form an integral part of these consolidated financial statements.

LEE HING DEVELOPMENT LIMITED
利興發展有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital HK$'000	Accumulated losses HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Total HK$'000
Balance at 1 January 2021	717,808	(418,822)	(2,735)	10,953	15,999	323,203
Loss for the year	-	(74,058)	-	-	-	(74,058)
Other comprehensive loss	-	-	(1,157)	(3,677)	-	(4,834)
Total comprehensive loss for the year	-	(74,058)	(1,157)	(3,677)	-	(78,892)
Unclaimed dividend forfeited	-	36	-	-	-	36
Balance at 31 December 2021	717,808	(492,844)	(3,892)	7,276	15,999	244,347
Profit for the year	-	119,677	-	-	-	119,677
Other comprehensive loss	-	-	761	(1,103)	-	(342)
Total comprehensive income for the year	-	119,677	761	(1,103)	-	119,335
Unclaimed dividend forfeited	-	26	-	-	-	26
Balance at 31 December 2022	717,808	(373,141)	(3,131)	6,173	15,999	363,708

The attached notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Operating activities		
Profit/(loss) before taxation	119,681	(74,046)
Adjustments for:		
Amortisation	16	16
Dividend income	(6,409)	(29,368)
Depreciation	229	233
Share of results of associates	79	52
Finance costs	5,480	5,502
Unrealised loss/(gain) on derivative financial instruments	937	(19)
Net gain on financial assets at fair value through profit or loss - listed investments	(7,917)	-
Net gain on financial assets at fair value through profit or loss - unlisted investments	(11,296)	-
Impairment loss on freehold land	-	739
Net loss on disposal of property, plant and equipment	-	1
Net gain on disposal of freehold land	(1,568)	-
Gain on revaluation of investment properties	(2,800)	(700)
Write back of impairment losses on amount due from an investee company	(585)	(844)
Interest income	(83)	(38)
Unrealised exchange loss	585	842
Unrealised (gain)/loss on financial assets at fair value through profit or loss - listed investments	(12,423)	43,017
Unrealised (gain)/loss on financial assets at fair value through profit or loss - unlisted investments	(98,718)	36,986
Operating loss before working capital changes	(14,792)	(17,627)
Decrease/(increase) in derivative financial instruments	14	(92)
Increase in accounts receivable, deposits and prepayments	(4,406)	(616)
(Decrease)/increase in accounts payable, deposits and accruals	(1,141)	896
Cash used in operations	(20,325)	(17,439)
Dividends received	6,409	28,032
Finance costs paid	(4,472)	(5,515)
Interest received	73	41
Overseas tax paid	(8)	(32)
Net cash (used in)/from operating activities	(18,323)	5,087

The attached notes form an integral part of these consolidated financial statements.

LEE HING DEVELOPMENT LIMITED
利興發展有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(3)
Decrease/(increase) in bank deposits pledged to banks	7,871	(5,218)
Net proceeds on disposals of financial assets at fair value through profit or loss - listed investments	67,872	-
Net proceeds on disposals of financial assets at fair value through profit or loss - unlisted investments	25,523	-
Net proceeds on disposal of freehold land	11,118	-
Net cash from/(used in) investing activities	112,384	(5,221)
Cash flows from financing activities		
Repayment of bank loans	(115,894)	(25,042)
Other loans raised	46,400	13,500
Repayment of other loans	(13,500)	-
Dividends paid	(7)	(3)
Net cash used in financing activities	(83,001)	(11,545)
Increase/(decrease) in cash and cash equivalents	11,060	(11,679)
Cash and cash equivalents at the beginning of the year	2,013	13,660
Effect of foreign exchange rate changes	621	32
Cash and cash equivalents at the end of the year	13,694	2,013

Analysis of cash and cash equivalents

Bank balances	13,694	9,884
Bank deposit pledged to banks	-	(7,871)
	13,694	2,013

The attached notes form an integral part of these consolidated financial statements.

LEE HING DEVELOPMENT LIMITED
利興發展有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2022

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other loans HK$'000	Dividends payable (included in accounts payable, deposits and accruals) HK$'000	Bank loans HK$'000	Total HK$'000
At 1 January 2021	-	262	165,717	165,979
Changes from financing cash flows:				
Repayment of bank loans	-	-	(25,042)	(25,042)
Other loans raised	13,500	-	-	13,500
Dividends paid	-	(3)	-	(3)
Total changes from financing cash flows	13,500	(3)	(25,042)	(11,545)
Exchange differences	-	-	(2,289)	(2,289)
Other changes				
Unclaimed dividend forfeited	-	(36)	-	(36)
Total other changes	-	(36)	-	(36)
At 31 December 2021	13,500	223	138,386	152,109
Changes from financing cash flows:				
Repayment of bank loans	-	-	(115,894)	(115,894)
Other loans raised	46,400	-	-	46,400
Repayment of other loans	(13,500)	-	-	(13,500)
Dividends paid	-	(7)	-	(7)
Total changes from financing cash flows	32,900	(7)	(115,894)	(83,001)
Exchange differences	-	-	(3,069)	(3,069)
Other changes				
Unclaimed dividend forfeited	-	(26)	-	(26)
Total other changes	-	(26)	-	(26)
At 31 December 2022	46,400	190	19,423	66,013

Non-cash transactions

During the year ended 31 December 2021, the Group received stock dividend of HK$1336,000.

The attached notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company is a public company incorporated in Hong Kong with limited liability and has its registered office and principal place of business at Suite 1506-7, 15/F., Nine Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are property investment, investment holding , and sales and purchases of securities.

Lee Hing (2021) Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which are stated at fair value.

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group's interests in associates.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment - Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018 - 2020
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 16 (Amendment)	Covid-19 - Related Rent Concessions beyond 30 June 2021
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The adoption of the above new and revised HKFRSs has no material impact on these consolidated financial statements.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023

The Group has already commenced an assessment of the impact of the new and revised HKFRSs, certain of which may be relevant to the Group's operation and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If this consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associates, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or other equity, as appropriate.

Non-controlling interest is the equity in a subsidiary which is not attributable, directly or indirectly, to the Company. The Group treats transactions with non-controlling interest (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in subsidiaries are stated at cost less any accumulated impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Associates

An associate is an entity, in which the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under equity method of accounting, less any accumulated impairment losses. The Group's share of the associates' post-acquisition results is recognised in profit or loss, and its share of the associates' post-acquisition other comprehensive income is recognised in other comprehensive income. When the share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further loss, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss. For equity accounting purpose, accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in associates are stated at cost less any accumulated impairment losses.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortisation and depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally recognised in profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Depreciation or amortisation is provided to write of the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Building	2%
Freehold land	-
Construction in progress	-
Equipment and motor vehicles	10% - 20%

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initally at cost including transaction costs and thereafter stated at fair value which reflects market conditions at the end of reporting period. Any changes in fair value are recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Righ-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the HKAS 16.

(e) Leases

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

Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are also subject to impairment.

Right-of-use asset which is leasehold land is depreciated on a straight-line basis over the lease terms.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leases (Continued)

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Group classifies its financial assets as follows:

— Financial assets at amortised cost (debt instruments);

— Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);

— Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and

— Financial assets at FVTPL.

(i) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

— The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; and

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

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

The Group's financial assets at amortised cost include amounts due from associates, other non-current assets, accounts receivable and deposits, time deposits and bank balances.

(ii) Financial assets at FVTOCI (debt instruments)

The Group measures debt instruments at FVTOCI if both of the following conditions are met:

— The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

(ii) Financial assets at FVTOCI (debt instruments) (Continued)

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

(iii) Financial assets designated at FVTOCI (equity instruments)

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

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

(iv) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading, if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative financial instruments, unlisted investments and listed equity investments which the Company had not irrevocably elected to classify at FVTOCI. Dividends on listed equity investments are also recognised in profit or loss when the right of payment has been established.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

— Financial assets measured at amortised cost (including amounts due from associates, other non-current assets, accounts receivable and deposits, time deposits and bank balances).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof.

— variable-rate financial assets: current effective interest rate.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

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

The Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occuring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instrument, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

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

Write-off policy

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

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

(g) Impairment of assets

At the end of each reporting period, assets, other than financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. When an indication of impairment exists, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs of disposal and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior year for an asset is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

(i) Payables

Payables (including accounts payable, deposits and accruals, other loans and other payable) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs associated with the borrowings. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(k) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(l) Revenue recognition

Major categories of revenue are recognised in the consolidated financial statements on the following bases:

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to gross carrying amount of the financial assets. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the financial assets.

Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(o) Financial guarantees issued and contingent liabilities

Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within accounts payable, deposits and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

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

Financial guarantees are assessed for ECLs. The Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECLs is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECLs is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 5(f) apply.

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial guarantees issued and contingent liabilities (Continued)

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(p) Foreign currencies

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

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

Exchange differences arising on the translation of monetary items carried at fair value are reported as part of fair value gain or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are recognised in profit or loss except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of those foreign subsidiaries and associates that have a functional currency different from the presentation currency of the Group are translated in to Hong Kong dollars at the exchange rates ruling at the end of the reporting period and their income and expenses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

5. SIGNIFICANT PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Non-current assets classified as assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A remeasurement loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset, but not in excess of any cumulative remeasurement loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. Liabilities directly associated with non-current assets classified as assets held for sale are presented separately from the other liabilities in the consolidated statement of financial position.

(r) Related parties

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

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or the Group's holding company.

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

- (a) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's holding company.

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the consolidated financial statements. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include write back/provision for impairment losses on investments in and amounts due from associates, and amount due from an investee company, and valuation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss - unlisted investments, derivative finanical instruments and investment properties.

7. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Valuation		
At 1 January	60,700	60,000
Changes in fair value recognised in profit or loss	2,800	700
At the end of the year	63,500	60,700

The Group's ownership interests in leasehold investment properties are situated in Hong Kong and are held under the lease term bewteen 10 and 50 years and renewable for further 75 years in Hong Kong (subject to approval from Hong Kong Government).

All investment properties were classified under Level 3 in the fair value hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2021: Nil).

As at 31 December 2022 and 31 Decemeber 2021, investment properties were revalued according to the valuation report issued by Roma Appraisals Limited, independent professional qualified valuers.

The fair value of investment properties located in Hong Kong is determined using the market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis. Below is a summary of the significant inputs to the valuation of investment properties:

	2022		**2021**	
	Range HK$	Weighted average HK$	Range HK$	Weighted average HK$
Price per square feet	30,543 to 35,084	32,706	29,097 to 33,155	31,257

A significant increase/decrease in the price per square feet would result in a significant increase/decrease in the fair value of the investment properties.

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land in Hong Kong	Building in Hong Kong	Freehold land outside Hong Kong	Construction in progress	Equipment and motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2021	13,884	2,900	14,104	6,878	4,285	42,051
Additions	-	-	-	-	3	3
Disposals	-	-	-	-	(2)	(2)
Transfer (note 17)	-	-	(14,104)	-	-	(14,104)
At 31 December 2021	13,884	2,900	-	6,878	4,286	27,948
Disposals	-	-	-	(6,878)	(8)	(6,886)
At 31 December 2022	13,884	2,900	-	-	4,278	21,062
Accumulated amortisation and depreciation, and impairment losses						
At 1 January 2021	310	1,102	3,815	6,878	3,619	15,724
Impairment losses	-	-	739	-	-	739
Provision	16	58	-	-	175	249
Write back	-	-	-	-	(1)	(1)
Transfer (note 17)	-	-	(4,554)	-	-	(4,554)
At 31 December 2021	326	1,160	-	6,878	3,793	12,157
Provision	16	58	-	-	171	245
Write back	-	-	-	(6,878)	(8)	(6,886)
At 31 December 2022	342	1,218	-	-	3,956	5,516
Net book values						
At 31 December 2022	13,542	1,682	-	-	322	15,546
At 31 December 2021	13,558	1,740	-	-	493	15,791

The Group's ownership interests in leasehold land (for administrative purpose) are held under the lease term of 50 years or more.

9. SUBSIDIARIES

Details of subsidiaries are as follows:-

Unlisted companies	Place of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Principal activities	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group
HK 8 Limited	Liberia/ Hong Kong	1 share of US$1	Investment holding	-	100

9. SUBSIDIARIES (Continued)

Details of subsidiaries are as follows:- (Continued)

Unlisted companies	Place of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Principal activities	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group
HK 12 Limited	Liberia/ Hong Kong	1 share of US$1	Investment holding	-	100
HK 888 Limited	Liberia/ Hong Kong	1 share of US$1	Sales and purchases of securities	-	100
kabushiki kaisha zali at hakone*	Japan	1,000 ordinary shares of JPY 10,000 cash	Dormant	-	100
Lee Hing Investment Company, Limited	Hong Kong	2,000 ordinary shares	Property investment, investment holding, and sales and purchases of securities	100	100
Teamlight Enterprises Limited	Hong Kong	1 ordinary share	Property investment	-	100
Wang Tak Company Limited	Hong Kong	1,000 ordinary shares	Property investment, investment holding, and sales and purchases of securities	100	100
Wang Tak Majujaya Sdn. Bhd.*	Malaysia	2 ordinary shares of RM1 each	Investment holding, and sales and purchases of securities	-	100

* Companies not audited by CHENG & CHENG LIMITED

10. ASSOCIATES

	2022 HK$'000	2021 HK$'000
Share of net assets	36,960	37,803
Less: Impairment losses	(17,030)	(17,030)
	19,930	20,773
Amounts due from associates	4,205	4,268
Less: Provision for impairment losses	(2,084)	(2,084)
	2,121	2,184
	22,051	22,957

Amounts due from associates are unsecured, non-interest bearing with no fixed term of repayment.

Summarised financial information of the material associate, Trusoul Ayutthaya Co., Ltd. and reconciled to the carrying amounts in the consolidated financial statements are disclosed below.

	2022 HK$'000	2021 HK$'000
Gross amounts of the associate		
Current assets	1,261	1,462
Non-current assets	42,737	44,341
Current liabilitites	(3,396)	(3,523)
Non-current liabilities	-	-
Equity	40,602	42,280
Revenue	2	2
Loss fo the year	(151)	(96)
Other comprehensive income	-	-
Total comprehesive loss	(151)	(96)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of associate	40,602	42,280
Group's effective interest	49%	49%
Carrying amount in the consolidated financial statements	19,895	20,717

Aggregate information of associates that are not individually material:

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	35	56
Aggregate amounts of the Group's share of those associates		
Loss for the year	(5)	(5)
Total comprehensive loss	(5)	(5)

Details of the associates are as follows:-

Unlisted companies	Place of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Principal activities	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group
Parkway M & A Capital Corporation*	British Virgin Islands	4,500,000 shares of US$1 each	Investment holding	-	39

10. ASSOCIATES (Continued)

Details of the associates are as follows:- (Continued)

Unlisted companies	Place of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Principal activities	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group
Phil Inc.*	U.S.A	100,000 common shares of US$1 each	Dormant	20	20
Start Hold Limited*	Hong Kong	6 ordinary shares	Investment holding	-	33
Trusoul Ayutthaya Co., Ltd.*	Thailand	2,000,000 common shares of Baht 100 each	Property development	-	49
Trusoul Ayutthaya Holding Co., Ltd.*	Thailand	40,000 common shares of Baht 100 each	Investment holding	-	49

* Companies not audited by CHENG & CHENG LIMITED

11. FINANCIAL ASSETS AT FAIR VALUE THORUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Unlisted investments, at fair value	224,602	140,111

Fair value of unlisted investments of HK$224,602,000 was determined by the directors by reference to latest sale price (2021: the fair value of HK$140,111,000 was determined by reference to the net assets value of PureCircle Limited based on its unaudited financial statements for the year ended 31 December 2021).

The movements of Level 3 fair value measurements are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	140,111	177,097
Disposals	(14,227)	-
Changes in fair value recognised in profit or loss	98,718	(36,986)
At 31 December	224,602	140,111

11. FINANCIAL ASSETS AT FAIR VALUE THORUGH PROFIT OR LOSS (Continued)

Details of the financial assets at fair value through profit or loss are as follows:-

Unlisted company	Place of incorporation	Class of shares	Percentage of equity interest held
PureCircle Limited	England	A and B ordinary shares of GBP0.01 each	7.38% (2021:8.21%)

12. FINANCIAL ASSETS AT FAIR VALUE THORUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income are equity securities held for strategic purpose and stated at fair value. The Group elected to classify irrevocably those investments as financial assets at fair value through other comprehensive income.

The movements of Level 3 fair value measurements are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	6,438	7,595
Changes in fair value recognised in other comprhensive income	761	(1,157)
At 31 December	7,199	6,438

13. OTHER NON-CURRENT ASSETS

	2022 HK$'000	2021 HK$'000
Amount due from an investee company	10,011	10,596
Less: Provision for impairment loss (Note)	(10,011)	(10,596)
	-	-

Note:
Movement in provision for impairment losses are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	10,596	11,440
Write back	(585)	(844)
At 31 December	10,011	10,596

Amount due from an investee company is unsecured, non-interest bearing with no fixed term of repayment. Impairement losses on amount due from an investee company of HK$585,000 have been written back for the year due to exchange differences.

14. FINANCIAL ASSETS AT FAIR VALUE THORUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Listed equity securities, at market value		
Overseas	80,154	132,563

14. FINANCIAL ASSETS AT FAIR VALUE THORUGH PROFIT OR LOSS (Continued)

Details of financial assets at fair value through profit or loss are as follows:-

Listed company	Place of incorporation	Class of shares	Percentage of equity interest held
IGB Berhad	Malaysia	Ordinary shares of RM1 each	2.16% (2021: 4.005%)

15. DERIATIVE FINANCIAL INSTRUMENTS

	2022 HK$'000	2021 HK$'000
Equity swaps	(932)	19

16. OTHER ASSETS

	2022 HK$'000	2021 HK$'000
Club debenture, at cost	295	295

17. NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

	2022 HK$'000	2021 HK$'000
Freehold land in Japan	-	9,550

18. OTHER PAYABLE

Amount due to investee company is unsecured, non-interest bearing and with no fixed term of repayment.

19. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Secured bank loans	-	66,814
Secured bank loans subject to a repayment on demand clause	19,423	71,572
	19,423	138,386
Less: Current portion	(19,423)	(71,572)
Non-current portion	-	66,814

Repayment of bank loans based on the scheduled repayment dates set out in the loan agreement are as follows:

	2022 HK$'000	2021 HK$'000
With one year	7,618	59,203
After one year but within two year	633	815
After two years but within five years	2,023	69,330
After five years	9,149	9,038
	19,423	138,386

20. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Issued and fully paid:		
146,781,000 ordinary shares	717,800	717,800

In accordance with Section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

21. RESERVES

	2022 HK$'000	2021 HK$'000
Investment revaluation reserve	(3,131)	(3,892)
Translation reserve	6,173	7,276
Property revaluation reserve	15,999	15,999
Accumulated losses	(373,141)	(492,844)
	(354,100)	(473,461)

The movements of the Group's reserves for the years ended 31 December 2022 and 31 Decemebr 2021 are presented in the consolidated statement of changes in equity on page 10.

Investment revaluation reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income held at the end of the reporting period.

Translation reserve is dealt with in accordance with the accounting policy of foreign currencies as set out in note 5(p) to the consolidated financial statements.

Preperty revaluation reserve represents gain on revaluation of properties at the date of transfer from property, plant and equipment to investment properties.

22. REVENUE AND INCOME

	2022 HK$'000	2021 HK$'000
Net gain on financial assets at fair value through profit or loss - listed investments	7,917	-
Net gain on financial assets at fair value through profit or loss - unlisted investments	11,296	-
Dividend income - listed investments	6,409	29,074
Dividend income - unlisted investments	-	294
Interest income	83	38
Write back of impairment losses on amount due from an investee company	585	844
Rental income	770	883
Sundry income	741	244
	27,801	31,377

23. OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Operating profit/(loss) before finance costs is arrived at after charging/(crediting):		
Auditors' remuneration		
Audit services	383	443
Others	70	82
Directors' emoluments:		
Fee	-	760
Salaries and allowances	7,826	8,424
Contributions to retirement scheme	238	301
Long service payment	-	1,155
Salaries and allowances	2,913	2,948
Contributions to retirement scheme	146	147
Depreciation	229	233
Amortisation of leasehold land	16	16
Net loss on derivative financial instruments	-	1,340
Net gain on financial assets at fair value through profit or loss - listed investments	(7,917)	-
Write back of impairment losses on amount due from an investee company	(585)	(844)
Net loss on disposal of property, plant and equipment	-	1
Net exchange loss	609	845
Net gain on financial assets at fair value through profit or loss - unlisted investments	(11,296)	-
Rental income from investment properties	(770)	(883)
Direct operating expenses arising from investment properties	356	204

24. DIRECTORS' EMOLUMENT

The emoluments of the directors are as follows:

	2022 HK$'000	2021 HK$'000
Mr. TAN Boon Seng	7,537	7,577
Mr. CHAN Kai Kwok	-	2,612
Mr. LAM Man Kit	527	-
Mr. HO Hau Chong, Norman	-	167
Mr. FUNG Ka Pun	-	142
Mr. LIM Lay Leng	-	142
	8,064	10,640

25. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank loans	4,381	5,210
Interest on other loans	188	-
Bank loan arrangement fee	911	292
	5,480	5,502

26. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 HK$'000	2021 HK$'000
Current tax - overseas		
Company and subsidiaries		
Overseas taxation	4	12

No Hong Kong profits tax has been provided for the 2022/23 year of assessment (2021/22: Nil) as no assessable profits was earned during the financial year.

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

(b) The reconciliation between income tax and accounting profit/(loss) of the Group in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2022 HK$'000	2021 HK$'000
Profit/(loss) before taxation	119,681	(74,046)
Share of results of associates	79	52
	119,760	(73,994)
Notional tax at the domestic income tax rate of 16.5% (2021: 16.5%)	19,760	(12,209)
Tax effect of net (income)/expenses that are not (taxable)/deductible in determining taxable profit	(21,265)	13,067
Tax effect of unrecognised tax losses and temporary differences	89	148
Under-provision in prior year	-	7
Effect of different tax rate in other jurisdiction	1,420	(1,001)
Income tax expense for the year	4	12

(c) Deferred tax assets and liabilities recognised

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2021	293	(293)	-
(Credited)/charged to consolidated statement of profit or loss and other comprehensive income for the year	(10)	10	-
At 31 December 2021	283	(283)	-
(Credited)/charged to consolidated statement of profit or loss and other comprehensive income for the year	(10)	10	-
At 31 Decemeber 2022	273	(273)	-

26. INCOME TAX (Continued)

(d) Deferred tax assets unrecognised

At 31 December 2022, the Group had unused tax losses of HK$41,355,000 (2021: HK$40,879,000) available for set-off against future taxable profit. A deferred tax asset has been recognised in respect of HK$1,654,000 (2021: HK$1,715,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of HK$39,701,000 (2021: HK$39,164,000) due to unpredictability of future taxable profit streams. The tax losses do not expire under current tax legislation.

27. OTHER COMPREHENSIVE LOSS

	2022 HK$'000	2021 HK$'000
Financial assets at fair value through other comprehensive income		
Changes in fair value recognised during the year	761	(1,157)
Net movements in investment revaluation reserve during the year recognised in other comprehensive income	761	(1,157)
Exchange differences on translation of financial statements of foreign entities -		
Subsidiaries	(276)	(1,230)
Associates	(827)	(2,447)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(1,103)	(3,677)
Other comprehensive loss for the year, net of tax	(342)	(4,834)

28. PLEDGE OF ASSETS

The Group pledged its leasehold land, buildings and investment properties, certain financial assets at fair value through profit or loss, accounts receivable and bank deposits with a total net book value of approximately HK$161,000,000 (2021: HK$215,000,00) as security for banking facilities extended to the Group.

29. RELATED PARTY DISCLOSURES

In addition to those disclosed in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Loans from a director, Mr. Tan Boon Seng ("Mr. Tan"), and his wife of HK$11,900,000 and HK$34,500,000 respectively are unsecured, interest bearing and repayable on demand. (2021: loan from Mr. Tan of HK$13,500,000 was unsecured, non-interest bearing and repayable on demand). Interest charged by Mr. Tan and his wife amounted to HK$70,000 (2021: Nil) and HK$118,000 (2021: Nil) repectively.

(b) During the year ended 31 December 2022, the Group's financial assets and fair value through profit or loss - unlisted and listed investments were disposed of at consideration of HK$24,597,000 and resulted in net gain of HK$7,487,000. (2021: Nil). The purchasers were related companies controlled by Mr. Tan.

(c) Included in accounts payable, deposits and accruals, amount of HK$931,000 (2021: HK$887,000) and amount of HK$118,000 (2021: Nil) are due to Mr. Tan and his wife respectively. The amounts are unsecured, non-interest bearing and repayable on demand.

29. RELATED PARTY DISCLOSURES (Continued)

(d) Rental income of HK$770,000 (2021: HK$883,000) was received from the step-son of Mr. Tan.

30 LEASES

AS LESSOR

The Group leases its investment properties under operating lease arrangements, and the term of the lease is two years.

At 31 December 2022 and 31 December 2021, the Group had undiscounted lease rental receivable under non-cancellable operating lease as follows:-

	2022 HK$'000	2021 HK$'000
Within one year	-	150

31. CAPITAL MANAGEMENT

Capital comprises share capital and reserves stated on the consolidated statement of financial position. The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders. The Group's overall strategy remains unchanged from prior year.

The Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, amounts due from associates and investee company, accounts receivable and deposits. The credit risk on bank deposits is limited because the counterparties are reputable banks with high credit ratings. Based on the Group's assessment, the ECLs on bank deposits are considered to be insignificant. The Group regularly monitors the business performance of associates and investee company. The Group's credit risk on these balances is mitigated through the value of assets held by these entities and the power to participate the relevant activities of these entities. The directors believe that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced. For the years end 31 December 2022 and 31 December 2021, the Group assessed the ECLs for accounts receivable and deposits were insignificant and thus no loss allowance was recognised. All the ECLs provided for amounts due from associates and investee company are lifetime ECLs because the amounts are considered as credit-impaired. The Group has concentration risk on amount due from an associate of HK$1,692,000 (2021: HK$1,755,000).

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate commited lines of funding from major financial institutions to meet its liquidity requirements. Maturities of the financial liabilities of the Group based on the earliest period in which the Group is required to pay are as follows:

	Carrying amounts	
	2022	2021
	HK$'000	HK$'000
Carrying amounts:		
Non-derivative financial liabilities		
Bank loans	-	66,814
Bank loans subject to a repayment on demand clause	19,423	71,572
Accounts payable and accruals	1,968	3,045
Other loans	46,400	13,500
Other payable	348	348
	68,139	155,279
Derivative financial liabilities		
Equity swaps	932	-
Within one year	69,071	88,465
After two years but within five years	-	66,814
	69,071	155,279

The carrying amounts of the above financial liabilities are same as their contractual undiscounted cash flows and repayable within one year except for bank loans as below:

Maturities of bank loans of the Group based on the scheduled repayment dates set out in the loan agreement are as follows:

	2022	2021
	HK$'000	HK$'000
Contractual undiscounted cash flows		
Within one year	7,988	63,923
After one year but within two years	988	4,162
After two years but within five years	2,964	73,578
After five years	10,783	9,716
	22,723	151,379

(c) Currency risk

The Group is exposed to currency risk on the following financial instruments denominated in Malaysian Ringgit, Euro and Japanese Yen. The management monitors and manages the exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

	2022			
	Malaysian Ringgit HK$'000	Euro HK$'000	Japanese Yen HK$'000	Total HK$'000
Amount due from an investee company	-	-	-	-
Time deposits and bank balances	360	-	-	360
Accounts receivable	-	-	1,187	1,187
	360	-	1,187	1,547

	2021			
	Malaysian Ringgit HK$'000	Euro HK$'000	Japanese Yen HK$'000	Total HK$'000
Amount due from an investee company	-	-	-	-
Time deposits and bank balances	288	-	-	288
	288	-	-	288

At 31 December 2022, if the foreign currencies had strengthened/weakened 10% (2021: 10%) against Hong Kong dollars with all other variables held constant, profit after tax would increase/decrease and accumulated losses would decrease/increase by HK$155,000 (2021: loss after tax and accumulated losses would decrease/increase by HK$29,000). The 10% (2021:10%) increase/decrease represents management's assessment of the likely maximum change in exchange rates over the period until the end of next annual reporting period.

(d) Price risk

The following financial instruments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

	2022 HK$'000	2021 HK$'000
Derivative financial instruments	(932)	19
Financial assets at fair value through profit or loss	224,602	140,111
Financial assets at fair value through other comprehensive income	7,199	6,438
Financial assets at fair value through profit or loss	80,154	132,563
	311,023	279,131

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Price risk (Continued)

At 31 December 2022, if the security or underlying security price had increased/decreased by 10% (2021: 10%) with all other variables held constant, investment revaluation reserve would increase/decrease by HK$720,000 (2021: HK$644,000), and profit after tax would increase/decrease and accumulated losses would decrease/increase by HK$30,382,000 (2021: loss after tax and accumulated losses would decrease/increase by HK$27,640,000). The 10% (2021: 10%) increase/decrease represents management's assessment of the likely maximum change in security price over the period until the end of next annual reporting period.

The Group has significant concentration of risk on investment in an equity security of HK$224,602,000 (2021: HK$140,111,000).

(e) Fair values

The directors have considered that the carrying amounts of all financial assets and liabilities approximate their fair values at 31 December 2022 and 31 December 2021.

The following table sets out carrying value of financial instruments measured at fair value at 31 December 2022 and 31 December 2021 using the three-level hierarchy as defined in HKFRS 13:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2022				
Recurring fair value measurement				
Assets/(liabilities)				
Derivative financial instruments	-	(932)	-	(932)
Financial assets at fair value through profit or loss	80,154	-	224,602	304,756
Financial assets at fair value through other comprehensive income	-	-	7,199	7,199
	80,154	(932)	231,801	311,023

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2021				
Recurring fair value measurement				
Assets				
Derivative financial instruments	-	19	-	19
Financial assets at fair value through profit or loss	132,563	-	140,111	272,674
Financial assets at fair value through other comprehensive income	-	-	6,438	6,438
	132,563	19	146,549	279,131

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair values (Continued)

During the years ended 31 December 2022 and 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of derivative finanaical instruments in Level 2 was quoted price determined by financial institution or fund manager.

The fair value of financial assets at fair value through profit or loss in Level 3 was assessed by directors as disclosed in note 11. Increase/decrease in net assets value would have increased/decreased the fair value.

The fair value of financial assets at fair value through other comprehensive income in Level 3 was assessed with reference to market comparables by AP Appraisal Limited (2021: Roma Appraisals Limited), independent professional qualified valuer. The unobservable inputs are price/earnings ratio (range from 7.51 to 17.26) and price/books ratio (range from 0.32 to 0.48) (2021: price/books ratio range from 0.085 to 0.58). Increase/decrease in price/earnings ratio or price/books ratio would have increased/decreased the fair value. The movements of Level 3 fair value measurement are disclosed in note 12.

(f) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group's policy is to obtain the most favourable interest rates available for its financial instruments. The following financial instruments are exposed to interest rate risk.

	2022 HK$'000	2021 HK$'000
Time deposit and bank balances	7,005	2,004
Other loans	(46,500)	-
Bank borrowings	(19,423)	(138,386)
	(58,918)	(136,382)

At 31 December 2022, if the interest rate had increased/decreased by 50 (2021: 50) basis points with all other variables held constant, profit after tax would decrease/increase and accumulated losses would increase/decrease by HK$295,000 (2021: loss after tax and accumulated losses would increase/decrease by HK$682,000). The 50 (2021: 50) basis points increase/decrease represents management's assessment of the likely maximum change in interest rates over the period until the end of next annual reporting period.

33. COMPANY STATEMENT OF FINANCIAL POSITION

	2022 HK$'000	2021 HK$'000
Non-current assets		
Subsidiaries	223,144	239,427
Associates	-	-
	223,144	239,427
Current assets		
Accounts receivable, deposits and prepayments	-	151
Time deposits and bank balances	43	48
	43	199
Current liabilities		
Accounts payable, deposits and accruals	376	1,182
Net current liabilities	(333)	(983)
Net assets	222,811	238,444
Equity		
Share capital	717,808	717,808
Reserves (Note)	(494,997)	(479,364)
Total equity	222,811	238,444

TAN Boon Seng
Director

. FUNG Ka Pun
Director

33. COMPANY STATEMENT OF FINANCIAL POSITION (Continued)

Note:

	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	(411,461)	(411,461)
Loss for the year	(67,939)	(67,939)
Unclaimed dividend forfeited	36	36
At 31 December 2021	(479,364)	(479,364)
Loss for the year	(15,659)	(15,659)
Unclaimed dividend forfeited	26	26
At 31 December 2022	(494,997)	(494,997)

At 31 December 2022, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, amounted to HK$Nil (2021: HK$Nil).

34. EVENTS AFTER THE REPORTING PERIOD

On 25 April 2023, the Group entered into a sale and purchase agreement for disposal of the Group's investment properties at consideration of HK$58,200,000.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 May 2023.

Letter to Shareholders

"Morning has broken like the first morning.
Blackbird has spoken like the first bird.
Praise for the singing, praise for the morning.
Praise for them springing fresh from the word."

Cat Stevens

In 2022, we had an up year – finally. At the end of 2022, the net asset value of Lee Hing share was estimated to be HK$2.48 which was up by 49.40% from the close of 2021 of HK$1.66. By comparison, the Hang Seng Index was down by 15.46%

The total comprehensive income attributable to owners of the Company was due to the increase in the estimated fair value of PureCircle (privatised by Ingredion Incorporated) of HK$99 million and HK$12 million due to the increase in the market price of IGB Berhad (IGBB).

We have yet to receive the audited accounts of PureCircle for the period ended 31 December 2022.

Through the privatisation exercise, I now have an interest in 89.87 % of the shares in Lee Hing. However there are still 10.13% remaining shareholders in the Company. For that reason, we are now an unlisted public company.

In spite of the HIBOR interest rates rising by more than 400 basis points in 2022, our interest payments have remained the same as the previous year in 2021. My wife and I have loaned HK$46.4 million to Lee Hing at rates of 0.25% to 1.0% above the HIBOR rates compared with 2.70% charged by the bank. Even though we have put the Company's apartment and part of the office for sale since mid 2022, we were unsuccessful last year in selling them as the bids were 20 or more percent lower than our asking price.

Under the terms of the privatisation of PureCircle, Ingredion are obliged each year to make an offer to buy 6.25% of the privately held PureCircle shares. Last year they offered USD0.872 per share. We have used this as an indicative value of shareholding in PureCircle because PureCircle is a private company with restriction on the sale of the sales. This also means a profit of HK$11.3 million for end 2022 Profit & Loss accounts. We have taken the opportunity to sell 3,731,200 shares to further reduce our borrowing and for working capital.

As a private company, the bank reduced our banking facility. To repay the bank, I purchased 1,731,200 shares of PureCircle at Ingredion's offer price and 3,008,000 IGBB shares at the market price of RM2.38 per share.

We have sold our land in Hakone for HK$11.6 million at a small profit.

Listed shares

Below we present our holdings in listed shares with a market value of more than HK50 million at 31 December 2022: -

	Market Value (HK$ Million)
Malaysia	
IGB Berhad	80.2

For more details of these companies, please refer to its website at www.igbbhd.com respectively.

Looking forward

I remain hopeful that people will be even more health – conscious and will consume less sugar than pre-COVID 19. In this regard, the future of stevia is still bright.

Tan Boon Seng
Chairman

Hong Kong, 30 May 2023