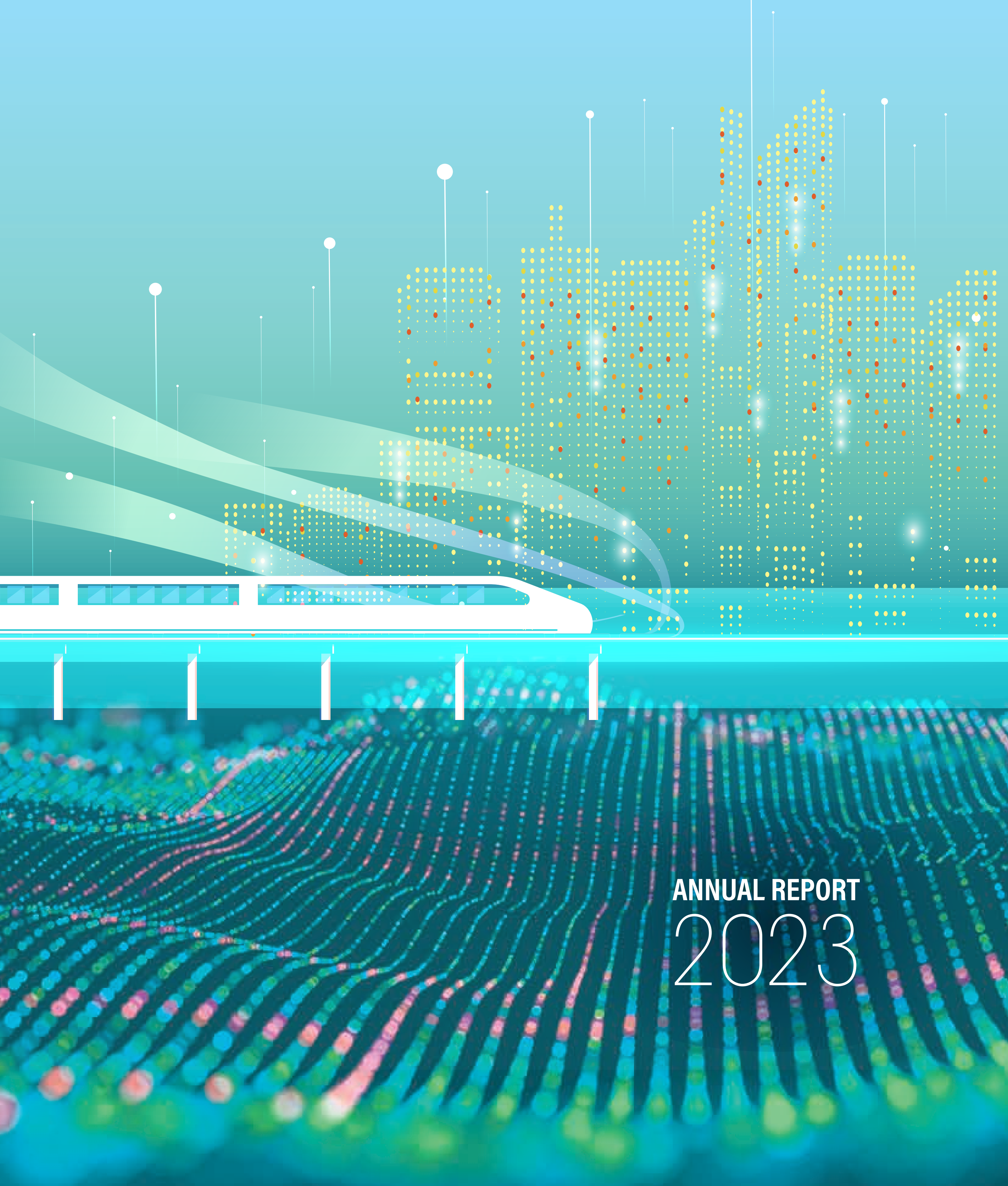
蜆壳電器控股有限公司

SHELL ELECTRIC HOLDINGS LIMITED



ANNUAL REPORT 2023

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CORPORATE INFORMATION

DIRECTORS

Mr. YUNG Kwok Kee, Billy *(Group Chairman and Chief Executive)*
Madam HSU Vivian
Mr. CHOW Kai Chiu, David
Madam LI Pik Mui, Cindy
Mr. YUNG Isaac Cosmo
Mr. YUNG Ivan Caesar

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

COMPANY SECRETARY

Fair Wind Secretarial Services Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

HONG KONG OFFICE

1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong

COMPANY'S WEBSITE

www.smc.com.hk

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG TRANSFER AGENT

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

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Shell Electric Holdings Limited (the "Company"), I am pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2023 amounted to HK$82 million. Basic earnings per share was HK15.7 cents.

FINAL DIVIDEND

The board of directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK0.3 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 August 2024 to Thursday, 22 August 2024, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to attend and vote at the annual general meeting (the "AGM"). In order to be eligible to attend and vote at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Friday, 16 August 2024.

BUSINESS REVIEW

Contract Manufacturing – Optics and Imaging

The Optics and Imaging Contract Manufacturing business recorded a drop in revenue in 2023 compared to 2022, this is because of the economy grew less than expected after the pandemic. As new models entered the stage of mass production, it is expected the turnover growth in the low double digits in 2024.

Electric Tools and Electric Fans – SMC Electric

During the year revenue dropped compared to the prior year. Uncertainties in the global environment and currency fluctuations had led to more cautious purchases by customers.

The electric fan business experienced price competition in the Middle East market, resulting in reduction of sales and gross profit.

The electric tools business experienced minor reduction in sales with diversification in new product initiatives.

Looking forward, year 2024 continues to be challenging. We will continue to adopt multiple plans including reaching new customers and strive to achieve a stable return.

Taxi Rental

In 2023, due to mainland China's abandonment of COVID-19 controls, the community and the taxi rental business operation had gradually resumed to normal except for January, when it was still deeply affected by the COVID-19 pandemic. There are two main reasons for the taxi rental business unsatisfactory revenue and profit in 2023. Firstly, the excessive number of online ride-hailing services that greatly reduced the income of taxi drivers, which has resulted in the taxi rental business being unable to increase its fleet size to generate more revenue. Secondly, in January 2023, the Group had to provide rent concession to taxi drivers for the period of the COVID-19 pandemic, resulting in a revenue decreased in 2023.

Coming to 2024, the economy in mainland China is not optimistic, which negatively impacting the business of taxi rental. The Group will strive to reduce operating cost in 2024 and prudently increase the number of operating vehicles to improve profitability.

Real Estate Investment and Development

PRC

Investment Properties
As the overall economy is still in the recovery stage, the Group's office properties portfolio at Citic Plaza, Tianhe, Guangzhou maintained an average occupancy of approximately 78% in 2023, an increase of 1% compared to 2022.

Others
Litigations for re-possession of the Group's property located at Guangshan Road, Tianhe North, is still in progress.

Hong Kong

Investment Properties
While the overall local economy is still in the recovery stage, this year's average occupancy rate of the Group's Shell Industrial Building was 92%, an increase of 6% compared to 2022.

The Group will continue to renovate and optimize the quality of the buildings to increase the occupancy rate and rental return.

Development Properties
Construction works for the residential projects in Shek Kong were completed. The related marketing campaign for Shek Kong project has been launched in 2023.

Technology Investment

Semiconductor Device Products – PFC Device

2023 business environment was extremely difficult due to the slowdown of the Chinese economy and the excess buildup of inventory in the supply chain back in 2022. Revenue dropped by over 21% compared to 2022, with the Chinese market contributing to the majority of the decline in revenue.

Although the Chinese market is still relatively soft, we see demand improving in 2024 from overseas market with introduction of various AI driven applications for both the consumer and automotive sectors. In addition, as the channel slowly work down the excess inventory, we forecast 2024 revenue will improve significantly compared to 2023.

Financial Investment

In 2023, the Group's financial investment activities recorded profit of approximately HK$15 million and the market value of the Group's financial investment holdings as at 31 December 2023 amounted to about HK$1,019 million.

REVENUE AND OPERATING RESULTS

Revenue of the Group for the year ended 31 December 2023 stood at HK$832 million, decreased by HK$327 million or 28% as compared with the previous year. The decrease resulted mainly from the decrease in contract manufacturing business, real estate investment and development business and semiconductor business.

Profit attributable to the owners of the Company for the year ended 31 December 2023 amounted to HK$82 million (31 December 2022: a loss of HK$75 million) representing an increase of HK$157 million or 209% over the corresponding period last year. The increase was predominantly a result of the following key changes: (i) upon partial disposal of interests in joint ventures and disposal of subsidiaries, there are gain of HK$135 million and HK$76 million respectively; (ii) a decrease of HK$40 million on fair value loss on financial assets and liabilities; (iii) a decrease in other operating expenses of HK$10 million; (iv) offset by a decrease in gross profit by HK$44 million; (v) a decrease of HK$22 million on other income; (vi) an increase of HK$16 million on finance costs, as well as change income tax credit to expense of an aggregate HK$22 million.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the year under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

As at 31 December 2023, the Group utilised certain long-term loans totaling HK$389 million (31 December 2022: HK$462 million). Apart from the above, all banking facilities of the Group were arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group for the year ended 31 December 2023, calculated as operating profit divided by total interest expenses net of interest income, stood at 4 times (Year ended 31 December 2022: nil times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group conduct its sales mainly in US dollars and Renminbi, and make payments in US dollars, Hong Kong dollars, Renminbi and Taiwan dollars.

GEARING RATIO

The Group continued to adopt and follow its policy of maintaining a prudent gearing ratio. As at 31 December 2023, the Group recorded a 4.4% gearing ratio (31 December 2022: 5.0%), expressed as a percentage of total borrowings net of cash and bank balances and restricted bank deposits to total equity of the Group.

CAPITAL COMMITMENTS AND GUARANTEE

As at 31 December 2023, the Group had capital commitments totaling HK$442 million (31 December 2022: HK$486 million). In addition, the Company issued guarantees to the banks amounting to HK$828 million (31 December 2022: HK$728 million) to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$154 million during the year under review (Year ended 31 December 2022: HK$153 million).

As at 31 December 2023, the Group had charges on assets totaling HK$1,627 million (31 December 2022: HK$1,974 million) mainly for securing a long-term loan and other loan facilities.

As at 31 December 2023 the Group pledged its 100% interest of the issued share capital of one subsidiary (31 December 2022: one subsidiary) to a bank to secure a long-term loan granted to the Group.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company are investment holding, securities investment and property leasing. The principal activities carried out by the Company and its subsidiaries mainly comprise investment holding, selling of electric fans, manufacturing and marketing of power discrete semiconductors as well as contract manufacturing of fusers, laser scanning unit, paper handling options and electric tools, property leasing, real estate investment and development, taxi rental and securities investment. Further discussion and analysis of these activities can be found in the Chairman's Statement. Details of the activities of its principal subsidiaries and associates are set out in note 54 to note 55 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement on page 10.

The board of directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 37 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$520,000 (2022: HK$8,400,000).

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company has not purchased, sale or redeemed any of its shares during the year.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Mr. Yung Kwok Kee, Billy
Madam Hsu Vivian
Mr. Chow Kai Chiu, David
Madam Li Pik Mui, Cindy
Mr. Yung Isaac Cosmo
Mr. Yung Ivan Caesar *(appointed on 7 July 2023)*

In accordance with Bye-law 84 of the Bye-laws of the Company, Mr. Chow Kai Chiu, David and Mr. Yung Isaac Cosmo shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiary, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31 December 2023, the five largest customers accounted for approximately 69% of the total sales of the Group, of which 23% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for approximately 26% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31 December 2023.

PERMITTED INDEMNITY PROVISIONS

The Bye-laws of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

Save as disclosed above, at no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

AUDITOR

The financial statements for the year ended 31 December 2023 were audited by BDO Limited ("BDO"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

On behalf of the Board

Mr. Yung Kwok Kee, Billy
Chairman

Hong Kong, 8 July 2024

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TO THE SHAREHOLDERS OF SHELL ELECTRIC HOLDINGS LIMITED
蜆壳電器控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shell Electric Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 10 to 90, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, the consolidated statement of 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES 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 Hong Kong Financial Reporting Standards issued by the HKICPA, and for such internal control as the directors determined 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 90 of the Bermuda Companies Act 1981, 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

We communicate with 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.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 8 July 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	6	**831,738**	1,159,342
Cost of sales and services provided		**(666,008)**	(949,923)
Gross profit		**165,730**	209,419
Other income	6	**71,799**	93,631
Selling and distribution expenses		**(4,791)**	(7,054)
Administrative expenses		**(193,365)**	(192,796)
Other operating expenses		**(12,447)**	(22,245)
Other gains or losses			
Fair value loss on investment properties	14	**(69,892)**	(66,954)
Fair value loss on financial assets/liabilities at fair value through profit or loss		**(22,736)**	(62,371)
Gain/(Loss) arising from disposal of subsidiaries	42	**76,031**	(118)
Gain on partial disposal of interests in joint ventures	19	**135,412**	–
Impairment loss on intangible assets	17	**(17,361)**	(16,767)
Impairment loss on property, plant and equipment, net	15(c) & (d)	**(12,077)**	(19,336)
Impairment loss on financial assets at amortised cost		**(992)**	(820)
Net foreign exchange gain		**11,737**	17,662
Others		**324**	(2,386)
Operating profit/(loss)		**127,372**	(70,135)
Finance costs	8	**(51,955)**	(36,112)
Share of results of associates		**5,753**	(4,786)
Share of results of joint ventures		**11,464**	23,078
Profit/(Loss) before income tax	9	**92,634**	(87,955)
Income tax (expense)/credit	10	**(5,340)**	17,015
Profit/(Loss) for the year		**87,294**	(70,940)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**82,238**	(75,477)
Non-controlling interests		**5,056**	4,537
		87,294	(70,940)
	13	**HK Cents**	HK Cents
Profit/(Loss) per share			
– Basic		**15.7**	(14.4)
– Diluted		**15.7**	(14.4)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Profit/(Loss) for the year		**87,294**	(70,940)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising from translation of foreign operations			
– subsidiaries		**(63,742)**	(220,179)
– associates and joint ventures		**22**	(14,780)
Reclassification adjustment of translation reserve recycled to profit or loss upon			
– disposal of subsidiaries		**1,479**	118
		(62,241)	(234,841)
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings classified as property, plant and equipment	*15(a)*		
– changes in fair value		**11,049**	21,614
– income tax effect		**2,760**	(2,804)
		13,809	18,810
Financial assets at fair value through other comprehensive income	*20*		
– changes in fair value		**(75,565)**	(64,638)
– income tax effect		**282**	–
		(75,283)	(64,638)
Other comprehensive income for the year, net of tax		**(123,715)**	(280,669)
Total comprehensive income for the year		**(36,421)**	(351,609)
Total comprehensive income attributable to:			
Owners of the Company		**(41,434)**	(355,615)
Non-controlling interests		**5,013**	4,006
		(36,421)	(351,609)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	2,183,709	2,217,826
Property, plant and equipment	15	502,997	556,205
Construction in progress	16	42,119	32,814
Prepayments for acquisition of property, plant and equipment		222,104	166,892
Intangible assets	17	73,849	92,250
Interests in associates	18	179,189	170,340
Interests in joint ventures	19	–	45,479
Other assets	21	80,288	74,988
Financial assets at fair value through other comprehensive income	20	823,957	793,903
Loans receivable	22	41,031	56,497
Finance lease receivables	23	–	55
Deferred tax assets	36	2,758	1,787
		4,152,001	4,209,036
Current assets			
Inventories of properties	24	304,615	301,680
Other inventories	25	143,938	179,855
Trade and other receivables, prepayments and deposits	26	231,846	263,553
Finance lease receivables	23	50	402
Financial assets at fair value through profit or loss	27	194,616	229,784
Amounts due from related parties	33	17,364	25,392
Amounts due from directors	33	16,714	8,241
Tax prepaid		279	352
Restricted bank deposits	28(a)	43,505	23,480
Cash and bank balances	28(b)	378,797	584,379
		1,331,724	1,617,118
Current liabilities			
Contract liabilities	29	2,320	344
Trade and other payables	30	391,630	412,804
Lease liabilities	31	3,916	3,960
Amounts due to associates	32	126	126
Amount due to a related party	33	291	291
Amount due to a director	33	29,807	30,388
Taxation liabilities		17,379	33,762
Borrowings	34	279,482	467,624
		724,951	949,299
Net current assets		606,773	667,819
Total assets less current liabilities		4,758,774	4,876,855

	NOTES	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Borrowings	34	316,609	337,716
Lease liabilities	31	904	2,880
Loan from non-controlling shareholder	35	–	7,680
Deferred tax liabilities	36	505,867	542,351
		823,380	890,627
Net assets		3,935,394	3,986,228
CAPITAL AND RESERVES			
Share capital	37	82	82
Reserves	38	3,899,880	3,942,884
Equity attributable to owners of the Company		3,899,962	3,942,966
Non-controlling interests	39	35,432	43,262
Total equity		3,935,394	3,986,228

On behalf of the directors

YUNG ISAAC COSMO
Director

LI PIK MUI, CINDY
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to owners of the Company											
	Share capital HK$'000	Capital reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023	82	273,360	38,277	–	(160,993)	261,352	1,570	38,432	3,490,886	3,942,966	43,262	3,986,228
Profit for the year	–	–	–	–	–	–	–	–	82,238	82,238	5,056	87,294
Exchange difference arising from translation of foreign operations												
– subsidiaries	–	–	–	–	(63,699)	–	–	–	–	(63,699)	(43)	(63,742)
– associates and joint ventures	–	–	–	–	22	–	–	–	–	22	–	22
Release of translation reserve upon disposal of subsidiaries *(note 42)*	–	–	–	–	1,479	–	–	–	–	1,479	–	1,479
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15(a))*	–	–	–	–	–	13,809	–	–	–	13,809	–	13,809
Fair value changes on financial assets at fair value through other comprehensive income, net of tax effect *(note 20)*	–	–	(75,283)	–	–	–	–	–	–	(75,283)	–	(75,283)
Total comprehensive income for the year	–	–	(75,283)	–	(62,198)	13,809	–	–	82,238	(41,434)	5,013	(36,421)
Dividend paid *(note 12(b))*	–	–	–	–	–	–	(1,570)	–	–	(1,570)	–	(1,570)
Dividend attributable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(7,500)	(7,500)
Disposal of subsidiaries *(note 42)*	–	–	–	–	–	–	–	–	–	–	(8,450)	(8,450)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	3,107	3,107
Transfer between reserves												
Transfer to statutory reserve	–	–	–	–	–	–	–	1,577	(1,577)	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings with ownership interests held for own use *(note 15(a))*	–	–	–	–	–	(16,142)	–	–	16,142	–	–	–
At 31 December 2023	82	273,360	(37,006)	–	(223,191)	259,019	–	40,009	3,587,689	3,899,962	35,432	3,935,394

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to owners of the Company											
	Share capital HK$'000	Capital reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	82	273,360	111,400	767	70,858	257,663	2,616	37,120	3,530,489	4,284,355	118,351	4,402,706
Loss for the year	–	–	–	–	–	–	–	–	(75,477)	(75,477)	4,537	(70,940)
Exchange difference arising from translation of foreign operations												
– subsidiaries	–	–	–	–	(219,648)	–	–	–	–	(219,648)	(531)	(220,179)
– associates and joint ventures	–	–	–	–	(14,780)	–	–	–	–	(14,780)	–	(14,780)
Release of translation reserve upon disposal of subsidiaries	–	–	–	–	118	–	–	–	–	118	–	118
Increase in carrying value on revaluation of land and buildings, net of tax effect *(note 15(a))*	–	–	–	–	–	18,810	–	–	–	18,810	–	18,810
Fair value changes on financial assets at fair value through other comprehensive income, net of tax effect *(note 20)*	–	–	(64,638)	–	–	–	–	–	–	(64,638)	–	(64,638)
Total comprehensive income for the year	–	–	(64,638)	–	(234,310)	18,810	–	–	(75,477)	(355,615)	4,006	(351,609)
Dividend paid *(note 12(b))*	–	–	–	–	–	–	(2,616)	–	–	(2,616)	–	(2,616)
Acquisition of remaining equity interest in a subsidiary *(note 41(b))*	–	–	–	–	2,459	–	–	–	14,390	16,849	(67,595)	(50,746)
Dividend attributable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(11,500)	(11,500)
Transfer between reserves												
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	1,570	–	(1,570)	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	1,312	(1,312)	–	–	–
Vested PFC Device Share Options cancelled#	–	–	–	(767)	–	–	–	–	760	(7)	–	(7)
Reclassification of financial assets at fair value through other comprehensive income reserve to retained profits upon disposal *(note 20)*	–	–	(8,485)	–	–	–	–	–	8,485	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings with ownership interests held for own use *(note 15(a))*	–	–	–	–	–	(15,121)	–	–	15,121	–	–	–
At 31 December 2022	82	273,360	38,277	–	(160,993)	261,352	1,570	38,432	3,490,886	3,942,966	43,262	3,986,228

All outstanding share option granted by the subsidiary, PFC Device Inc., were cancelled when the scheme arrangement for the privatisation of PFC Device Inc. became effective on 23 March 2022. The total consideration paid by the cancellation of share options amounted to HK$7,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023	2022
	HK$'000	HK$'000
Operating activities		
Profit/(Loss) before income tax	**92,634**	(87,955)
Adjustment for:		
Share of results of associates	**(5,753)**	4,786
Share of results of joint ventures	**(11,464)**	(23,078)
Depreciation and amortisation	**71,946**	73,293
Fair value loss on investment properties	**69,892**	66,954
Unrealised fair value change on financial assets/liabilities at fair value through profit or loss	**33,089**	62,371
Allowance for other inventories	**4,195**	4,784
Impairment loss on financial assets at amortised cost	**992**	820
Write-off of prepayments and deposits	**200**	–
Impairment loss on intangible assets	**17,361**	16,767
Impairment loss on property, plant and equipment, net	**12,077**	19,336
Write-down of inventories of properties	**16,239**	–
Write-off of property, plant and equipment	**193**	1,535
Loss on disposal of property, plant and equipment	**110**	273
(Gain)/Loss arising from disposal of subsidiaries	**(76,031)**	118
Gain on partial disposal of interest in joint ventures	**(135,412)**	–
Interest income	**(8,490)**	(13,287)
Interest expenses	**43,567**	26,237
Guarantee fee	**8,373**	8,953
Exchange differences	**(9,626)**	6,973
Operating cash flows before movements in working capital	**124,092**	168,880
(Increase)/Decrease in inventories of properties	**(19,174)**	13,112
Decrease/(Increase) in other inventories	**29,680**	(16,698)
Decrease in trade and other receivables, prepayments and deposits	**29,611**	499,582
Decrease in finance lease receivables	**432**	786
Decrease/(Increase) in financial assets at fair value through profit or loss	**1,572**	(60,206)
Decrease in trade and other payables	**(1,175)**	(70,428)
Increase/(Decrease) in contract liabilities	**1,976**	(1,305)
Cash from operations	**167,014**	533,723
Income tax paid	**(30,110)**	(29,690)
Net cash from operating activities	**136,904**	504,033

	NOTES	2023 HK$'000	2022 HK$'000
Investing activities			
Proceeds from disposal of partial equity interests in joint ventures	19	146,967	–
Proceeds from disposal of property, plant and equipment		283	110
Interest element of finance lease receivables		38	35
Interest received		8,225	30,469
Dividend income from joint ventures	19	36,568	14,863
Purchase of intangible assets		–	(15,000)
Purchase of property, plant and equipment		(82,087)	(109,821)
Additions to construction in progress		(9,890)	(24,842)
Purchase of investment properties		(53,171)	(4,808)
Purchase of other assets		(5,300)	–
Grant of new loan		(1,562)	–
Repayment of loans receivable		22,774	6,239
Proceeds on disposal of financial assets at fair value through other comprehensive income		–	45,036
Purchase of financial assets at fair value through other comprehensive income		(106,019)	(187,031)
(Increase)/Decrease in restricted bank deposits		(20,346)	51,321
Advances to related parties and directors		(445)	(33,633)
Net cash used in investing activities		(63,965)	(227,062)
Financing activities	43		
New bank and other borrowings		380,711	678,080
Repayment of bank and other borrowings		(591,176)	(920,528)
Repayment to a director		(8,954)	(70,527)
Payment of principal element of lease liabilities		(3,416)	(3,688)
Payment of interest element of lease liabilities		(184)	(319)
Payment of other interests		(43,383)	(25,918)
Dividend paid		(1,570)	(2,616)
Dividend paid to non-controlling shareholders of a subsidiary		(7,500)	(11,500)
Capital contribution from non-controlling interests		3,107	–
Net cash outflow from acquisition of remaining equity interest in a subsidiary	41(b)	(1,683)	(49,063)
Consideration paid for cancellation of share options		–	(7)
Net cash used in financing activities		(274,048)	(406,086)
Net decrease in cash and cash equivalents		(201,109)	(129,115)
Cash and cash equivalents at 1 January		584,379	761,615
Effect of foreign exchange rate change		(4,473)	(48,121)
Cash and cash equivalents at 31 December		378,797	584,379
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		378,797	584,379

1. GENERAL INFORMATION

Shell Electric Holdings Limited (the “Company”) was incorporated in Bermuda with limited liability. The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of its principal place of business is 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.

The principal activities of the Company are investment holding, securities investment and property leasing. The principal activities carried out by the Company and its subsidiaries (hereinafter collectively referred as the “Group”) mainly comprise investment holding, selling of electric fans, manufacturing and marketing of power discrete semiconductors, contract manufacturing of fusers, laser scanners, paper handling options and electrical tools, property leasing, real estate investment and development, taxi rental and securities investment.

The shares of the Company’s subsidiary, SMC Electric Limited (“SMC Electric”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). SMC Electric and its subsidiaries (“SMC Electric Group”) is principally engaged in manufacturing and selling of electric tools and sourcing and selling of electric fans.

The financial statements for the year ended 31 December 2023 were approved and authorised for issue by the directors on 8 July 2024.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Adoption of new and amendments to HKFRS – effective on 1 January 2023

In the current year, the Group has applied for the first time the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reforms – Pillar Two Model Rules
HKFRS 17	Insurance Contracts

Except as disclosed below, the adoption of the above new or amendments to HKFRS that are effective for the current reporting period did not have any significant impact on the Group’s financial statements.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 Adoption of new and amendments to HKFRS – effective on 1 January 2023 *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments do not have any impact on the measurement or presentation of any items in the Group's consolidated financial statements but affect the disclosure of accounting policies of the Group.

HKFRS 17 – Insurance Contracts ("HKFRS 17")

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 *Extension of the Temporary Exemption* ("HKFRS 4") from HKFRS 9 *Financial Instruments* ("HKFRS 9") that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 *Comparative Information* to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including warranty contracts issued by the Group, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the Group's consolidated financial statements.

2.2 New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

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

In July 2023, the HKICPA published *Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong* that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

To better reflect the substance of the interaction between the accrued benefits arising from employer MPF contributions and LSP obligation, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. In the opinion of the directors, this change in accounting policy did not have material impact on the Group's consolidated statement of financial position as at 31 December 2022 and 31 December 2023.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.3 Amendments to HKFRS that have been issued but are not yet effective

The following amendments to HKFRS, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the consolidated financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
HK-Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the possible impact of these revised standards on the Group's results and financial position in the first year of application. The directors consider that these amendments are unlikely to have a material impact to the Group's consolidated financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with HKFRS which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA.

Accounting estimates and assumptions have been used in preparing these consolidated financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's consolidated financial statements, are disclosed in note 5.

3.2 Basis of measurement

These financial statements have been prepared under historical cost basis except for investment properties, land and buildings with ownership interests held for own use and certain financial instruments which are measured at fair value.

All values are rounded to the nearest thousand except otherwise indicated.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. MATERIAL ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All inter-company transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from inter-company transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

The Group's accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

For acquisition of an asset or a group of assets that does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.3 Associates and joint arrangements

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party to the arrangement. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as joint ventures (note 19) as the Group has rights to only the net assets of the joint arrangement.

Associates and joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' and joint ventures' net assets except that losses in excess of the Group's interest in the associates and joint ventures are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates and joint ventures are recognised only to the extent of unrelated investors' interests in the associate and joint venture. The investor's share in the associate's and joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate and joint venture. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for investment in an associate and a joint venture above the fair value of the Group's share of the identifiable assets and liabilities is capitalised and included in the carrying amount of the investment in associate and joint venture. Where there is objective evidence that the investment in an associate and a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.4 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose. Investment properties also include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment properties.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Right-of-use assets that meet the definition of investment properties are carried at fair value and presented in the statement of financial position as investment properties (note 4.7). Rental income from investment properties is accounted for as described in note 4.13(iv).

4.5 Property, plant and equipment including construction in progress

Except for freehold land which is not depreciated, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Land and buildings with ownership interests held for own use are stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The revaluation surplus is recognised in equity. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under assets revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the assets revaluation reserve.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.5 Property, plant and equipment including construction in progress *(Continued)*

Depreciation is provided to write off the cost or valuation of each item of property, plant and equipment less its estimated residual value, if applicable, over its estimated useful life on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	**Annual rates**
Leasehold land and buildings with ownership interests held for own use *(note 4.7)*	Over the shorter of the lease term of the land or estimated useful life of 20 to 50 years
Other properties leased for own use *(note 4.7)*	Over the shorter of the remaining lease term or estimated useful life
Plant, machinery, tools, moulds and equipment	10% to 33.33%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi vehicles)	20% to 25%

An annual transfer from assets revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued amount of an asset and the depreciation based on the asset's original cost.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss. When land and buildings are derecognised upon disposal, the relevant portion of the revaluation surplus will be directly transferred to retained profits.

4.6 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the economic useful life and assessed for impairment (note 4.8) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment at least annually either individually or at cash-generating unit ("CGU") level. The useful life of an intangible asset with indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Taxi licences which are granted for free are amortised over their estimated useful life of five years.

Small passenger car quota

Cost incurred in the acquisition of small passenger car quotas, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Patent, trademark and copyright

Separately acquired patent is measured at historical cost less any impairment losses. Patent, trademark and copyright acquired in a business combination is recognised at fair value at the acquisition date. Patent, trademark and copyright have finite useful lives and are carried at cost less accumulated amortisation less any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patent, trademark and copyright over their estimated useful lives of five to eight years.

Club membership

Club membership, which is assessed as having indefinite useful life, is initially recognised as cost and subsequently carried at cost less any impairment loss and are not amortised.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.7 Leases

The Group as a lessee

All leases capitalised in the statement of financial position as right-of-use assets and lease liabilities. The Group has elected as permitted under HKFRS 16 *Leases* not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group accounts for leasehold land and buildings that are held to earn rentals and/or for capital appreciation under HKAS 40 *Investment Property* ("HKAS 40") and those assets are carried at fair value (note 4.4). Right-of-use assets that meet the definition of investment properties are carried at fair value and presented in the statement of financial position as investment properties. The Group accounts for leasehold land and buildings which the Group has ownership interests and are held for own use under HKAS 16 *Property, Plant and Equipment* and these assets are carried at revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses (note 4.5). Right-of-use assets related to interests in leasehold land where the interest in the land held as inventory are carried at the lower of cost and net realisable value (note 4.10).

Other than the above, the Group has also leased properties under tenancy agreements. These leases are measured according to the policies set out below and presented in property, plant and equipment under the category of "other properties leased for own use".

Right-of-use asset

Right-of-use asset is initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures right-of-use assets at cost less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense on the straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.8 Impairment of non-financial assets

Goodwill, intangible assets, property, plant and equipment, construction in progress, prepayments for acquisition of property, plant and equipment, right-of-use assets, interests in subsidiaries, associates and joint ventures and other assets are subject to impairment testing. Goodwill, intangible assets and other assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. For other assets, the Group determines whether there is indication that they have suffered impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment loss is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4.9 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets with embedded derivatives are considered at their entirety when determining whether their cash flows are solely payments of principal and interest on the principal outstanding.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.9 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

The Group classified its financial assets as followings:

Debt instruments

– Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

– Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss 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, including separated embedded 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 fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are measured at fair value with changes in fair value and interest income being recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains or losses are recognised in other comprehensive income and are not reclassified to profit or loss. On disposal of equity investment classified as financial assets at fair value through other comprehensive income, the amount accumulated in financial assets at fair value through other comprehensive income reserve (non-cycling) is transferred to retained profits. All other equity instruments are classified as financial assets at fair value through profit or loss and are subsequently measured at fair value, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.9 Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on debt instruments carried at amortised cost (including trade receivables, loans receivable, finance lease receivables, other receivables, amounts due from directors and other related parties and bank balances including restricted bank deposits). ECL are measured on either of the following bases: (i) 12-month ECL: these are the ECL that result from possible default events within 12 months after the reporting date; or (ii) lifetime ECL: these are the ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured at the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the financial assets' original effective interest rate.

The Group measures loss allowances for trade receivables and lease receivables using simplified approach, i.e. to recognise a loss allowance based on lifetime ECL. The Group estimates the loss allowance using a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies general approach to measure ECL, i.e. to recognise a loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, such as past due status and credit risk ratings, where applicable.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group assesses whether a financial asset is credit-impaired at the end of the reporting period. 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.

The Group considers a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

The Group recognises an impairment loss or reversal in profit or loss for financial instruments carried at amortised cost by adjusting their carrying amount through the use of a loss allowance account.

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.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.9 Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities as financial liabilities at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, refundable deposits received, amounts due to associates, a director and other related party, loan from non-controlling shareholder and borrowings are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 4.16).

Gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.9(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9").

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.10 Inventories of properties

Inventories of properties represent properties under development. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are stated at the lower of cost and net realisable value. The costs of inventories of properties consist of interests in leasehold land (note 4.7), development expenditures including construction costs, borrowing costs capitalised (note 4.16) and other direct costs attributable to the development of such properties. Cost is determined using specific identification basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated costs necessary to make the sale.

Inventories of properties are classified under current assets as they are expected to be realised within the Group's normal operating cycle.

4.11 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.13 Recognition of revenue and other income

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

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.13 Recognition of revenue and other income *(Continued)*

Further details of the Group's policies for recognition of revenue and other income are as follows:

(i) Revenue from sales of goods is recognised at a point in time when the customers obtain control of the goods. This is usually taken at the time when the goods are delivered to and accepted by customers, taking into account any sales returns, discounts and rebates allowed by the Group. In general, the contracts in relation to sales of goods contain one performance obligation. No element of significant financing is deemed to be as the sales are made with credit terms of 0 to 120 days, which is consistent with the market practice.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(ii) Interest income is accrued on a time basis using the effective interest method by applying applicable interest rate on (i) the amortised cost (i.e. gross carrying amount less loss allowance for credit-impaired financial assets); or (ii) the gross carrying amount for non-credit impaired financial assets.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(v) Taxi rental income is recognised in accordance with the substance of the licence agreement when the holders' right to receive payment has been established and the relevant services are delivered.

(vi) Handling fee income and other service income is recognised over time as those services are provided.

4.14 Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the group entities, foreign currency transactions are translated into the functional currency of the individual entity 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 of monetary assets and liabilities denominated in foreign currencies at the rates ruling at the end of the reporting period are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of the reporting period are translated into HK$ at exchange rate prevailing at the end of the reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.15 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets also arise from unused tax losses and unused tax credits. Except for temporary differences arising on (i) the initial recognition of an asset or a liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profits and does not give rise to equal taxable and deductible temporary differences; and (ii) investments in subsidiaries and associates and interests in joint arrangements where the Group is able to control the timing of the reversal of the temporary differences; and it is probable that the temporary differences will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period and reflects any uncertainty related to income taxes.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit or tax loss of the periods in which the temporary differences are expected to reverse. The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse; and (ii) the amount of taxable income in those years. The estimate of future taxable income includes (i) income or loss excluding reversals of temporary differences; and (ii) reversals of existing temporary differences.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

4.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.18 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

4.19 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants that compensate the Group for expenses incurred are recognised as income or deducted in the related expenses, as appropriate, in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

When the Group receives a non-monetary grant, the asset and the grant are recorded at nominal amount. The grant is recognised as deferred income which is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income, rather than reducing the related expense.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5.1 Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Fair value of properties

As disclosed in notes 14 and 15, the fair values of the investment properties and land and buildings with ownership interests held for own use as at the end of the reporting period were estimated by the directors with reference to property valuations conducted by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might differ significantly from the actual results. In making the estimates, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The carrying amounts of the Group's investment properties and land and buildings with ownership interests held for own use as at 31 December 2023 were HK$2,183,709,000 (2022: HK$2,217,826,000) and HK$421,761,000 (2022: HK$426,320,000) respectively. Further details of the fair value measurement of these properties are set out in notes 14 and 15.

Fair value of unlisted investments

As disclosed in notes 20 and 27, the Group held certain unlisted investments which are carried at fair value of HK$687,853,000 in total (2022: HK$607,021,000). The fair values of these investments were estimated by management with reference to quotations provided by the brokers. The valuation requires the Group to make estimates and assumptions that are subject to uncertainty.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.1 Key sources of estimation uncertainty *(Continued)*

Impairment of non-financial assets

The Group reviews at least annually and assesses whether taxi licences, small passenger car quotas and club membership with indefinite useful lives and accounted for as intangible assets have suffered any impairment. Other assets including property, plant and equipment with definite useful lives are reviewed for impairment whenever events or changes in circumstance indicate that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. Discounted cash flow approach is adopted in determining recoverable amount under the value-in-use basis. The use of discounted cash flow approach in estimating the recoverable amount incorporates a number of key estimates and assumptions about future events and therefore, are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgments for discounted cash flow approach, the directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgments would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts.

Based on the annual impairment assessment of taxi licences as at 31 December 2023, the recoverable amount of the CGU to which the taxi licences belong to was lower than its carrying amount and additional impairment loss was recognised as to HK$17,361,000 for taxi licences and HK$639,000 for the relevant property, plant and equipment for the current year. Details about the estimates used in assessing the impairment of taxi licences and the relevant property, plant and equipment are set out in note 17.

Based on the impairment assessment, the recoverable amount of the CGU of PFC Division (as defined in note 7) as at 31 December 2023 was lower than its carrying amount and impairment loss of HK$3,000,000 was recognised in the current year. The recoverable amount of the CGU of the IGBT Division (as defined in note 7) was lower than its carrying amount and additional impairment loss of HK$8,438,000. Total impairment loss of HK$11,438,000 was recognised for the relevant property, plant and equipment in the current year. Further details about the impairment assessment are sent out in note 15(d).

In addition, based on the annual impairment assessment of club membership under intangible assets, the recoverable amount of the club membership as at 31 December 2023 was higher than its carrying amount and thus no additional impairment loss is recognised in the current year (note 17).

ECL allowance on financial assets

The measurement of loss allowance for ECL of financial assets requires judgment and estimation, in particular, the assessment of a significant increase in credit risk and credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each reporting period, the Group measures the ECL of trade receivables and other financial assets at amortised cost. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. These require significant estimation and judgment by the management. The Group's historical credit experience and forecast of economic conditions may not be representative of a customer's or debtor's default in the future.

Further details of the Group's ECL assessment are set out in note 53.3.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.1 Key sources of estimation uncertainty *(Continued)*

Estimation of net realisable value of inventories of properties

Include in the consolidated statement of financial position at 31 December 2023 is inventories of properties with carrying amount of HK$304,615,000 (2022: HK$301,680,000), which are stated at lower of cost and net realisable value (note 24). Management determines the net realisable value of the underlying properties which involves considerable estimation in determining the expected selling prices of the inventories of properties, which is based on analysis of current market price of properties of comparable quality and location, taking into account the market and economic factors. In addition, for properties under development, determining the net realisable value also involves estimations of construction costs to be incurred to complete the development. If the actual net realisable values of the underlying properties are less than the current estimations as a result of change in market condition, or significant variation in the budgeted development cost, significant amount of additional provision write-down of inventories of properties may result.

During the year ended 31 December 2023, a write-down of inventories of properties amounting to HK$16,239,000 (2022: nil) was made in light of the drop in estimated selling prices of the underlying properties as the real estate market in Hong Kong is facing uncertainty and weak market sentiment.

Allowance for other inventories

The carrying amount of other inventories as at 31 December 2023 was HK$143,938,000 (2022: HK$179,855,000) (note 25). In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories to identify slow-moving inventories or inventories that are no longer consumable or saleable due to changes in customer preferences and demand and market trend. A considerable amount of judgment is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. During the year, the Group recognised allowance of HK$4,195,000 for other inventories (2022: HK$4,784,000).

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various cities in the People's Republic of China (the "PRC") and the countries in which the Group operates. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

The Group's income tax expense and deferred tax are disclosed in notes 10 and 36 respectively.

5.2 Critical judgments in applying accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgment.

6. REVENUE AND OTHER INCOME

The principal activities of the Group are disclosed in note 1. Revenue from the Group's principal activities recognised during the year is as follows:

	2023 **HK$'000**	2022 HK$'000
Revenue from contracts with customers		
Sales of goods *(note)*	**698,435**	997,712
Sales of properties	**4,500**	33,190
	702,935	1,030,902
Revenue from other sources		
Taxi rental income	**51,980**	53,588
Property rental income	**76,823**	74,821
Interest element of finance lease of motor vehicles *(note 23)*	**–**	31
	128,803	128,440
	831,738	1,159,342

Note:

The Group's sales contracts for electrical appliances and power discrete semiconductors generally have an original expected duration of one year or less and accordingly, the Group has applied the practical expedient in HKFRS 15 not to disclose the transaction price allocated to the remaining performance obligations for the existing contracts.

Other income of the Group recognised during the year is as follows:

	2023 **HK$'000**	2022 HK$'000
Interest income on:		
Bank deposits	**7,705**	6,915
Finance lease of LED light tubes *(note 23)*	**38**	35
Financial assets at fair value through profit or loss	**616**	425
Outstanding sales consideration *(note (a))*	**–**	5,630
Others, including receivables	**131**	282
Total interest income	**8,490**	13,287
Dividends from financial assets at fair value through profit or loss	**4,594**	4,516
Dividends from financial assets at fair value through other comprehensive income	**38,390**	38,563
Other rental income	**4,115**	4,350
Handling fee income	**157**	2,695
Recharge of materials and freight costs to customers	**6,824**	5,589
Product engineering services to customers	**2,253**	3,570
Government grants *(note (b))*	**2,180**	5,021
Sundry income *(note (c))*	**4,796**	16,040
	71,799	93,631

Notes:

(a) Amount represented interest income on the outstanding consideration in relation to disposal of certain land parcels through disposing the Company's equity interests in a subsidiary, 佛山市宇民企業管理有限公司, which was interest-bearing at 3% per annum. Such amount was settled in May 2022 and the Group derived interest income of HK$5,630,000 in last year.

(b) Government grants mainly included subsidies for urban transportation development from the PRC government of HK$2,131,000 (2022: HK$2,760,000). In addition, the Group also included subsidies for COVID-19 pandemic granted by the PRC government of HK$1,607,000 in last year. There were no unfulfilled conditions or contingencies relating to government subsidies.

(c) Sundry income for the year ended 31 December 2022 included income received from tenants for early termination of the tenancy agreements amounting to HK$3,473,000.

7. BUSINESS INFORMATION

Business segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The Group has identified the following business segments:

Electrical appliances	This segment designs, manufactures and trades electrical appliances. Electrical appliances include electric fans, vacuum cleaners, LED lighting products, paper handling options, fuser, laser scanning units. The Group's manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC and overseas such as North America (comprising Canada and the United States of America (the "USA") and European countries.
Power discrete semiconductors	This segment manufactures and trades power discrete semiconductors (the "PFC Division") and insulated gate bipolar translators ("IGBT Division"). The manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC, Taiwan and Korea.
Property leasing	This segment mainly leases industrial and commercial properties in Hong Kong and in the PRC to generate rental income and gain from appreciation in the properties' value in long-term. Part of the business is carried out through an associate.
Real estate investment and development	This segment mainly invests and develops real estate projects in Hong Kong and in the PRC for external customers.
Securities investment	This segment mainly invests in debt and equity securities and other instruments to generate gain from appreciation in those securities and instruments.
Taxi rental	This segment carries on taxi rental operations in the PRC to generate rental income and also engages in operating electric vehicle charging station.
Other segments	These comprise trading of computer software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue, income and expenses are allocated to the business segments with reference to sales and income generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the business segments. Each of the business segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain bank balances and cash, club membership and other assets which are not directly attributable to the business activities of business segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, lease liabilities, amounts due to related parties, borrowings and other liabilities directly attributable to the business activities of business segments and exclude tax liabilities, corporate liabilities and liabilities that are managed on a group basis.

7. BUSINESS INFORMATION *(Continued)*

Disaggregation of revenue by timing of revenue recognition is set out as follows:

	Electrical appliances HK$'000	**Power discrete semiconductors HK$'000**	**Property leasing HK$'000**	**Real estate investment and development HK$'000**	**Securities investment HK$'000**	**Taxi rental HK$'000**	**Other segments HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2023								
Revenue from contracts with customers disaggregated by timing of revenue recognition								
– Goods transferred at a point in time	**604,939**	**89,955**	**–**	**4,500**	**–**	**3,541**	**–**	**702,935**
Revenue from other sources								
– Taxi rental income	**–**	**–**	**–**	**–**	**–**	**51,980**	**–**	**51,980**
– Property rental income	**–**	**–**	**76,823**	**–**	**–**	**–**	**–**	**76,823**
	–	**–**	**76,823**	**–**	**–**	**51,980**	**–**	**128,803**
	604,939	**89,955**	**76,823**	**4,500**	**–**	**55,521**	**–**	**831,738**

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2022								
Revenue from contracts with customers disaggregated by timing of revenue recognition								
– Goods transferred at a point in time	880,793	112,841	–	33,190	–	4,078	–	1,030,902
Revenue from other sources								
– Taxi rental income	–	–	–	–	–	53,588	–	53,588
– Property rental income	–	–	74,821	–	–	–	–	74,821
– Interest element of finance lease of motor vehicles	–	–	–	–	–	31	–	31
	–	–	74,821	–	–	53,619	–	128,440
	880,793	112,841	74,821	33,190	–	57,697	–	1,159,342

7. BUSINESS INFORMATION *(Continued)*

Information regarding the Group's business segments including revenue, profit or loss, assets and liabilities by business segments and other information about the business segments are as follows:

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2023								
Revenue	604,939	89,955	76,823	4,500	–	55,521	–	831,738
Profit/(Loss)	45,426	(45,887)	(40,693)	(33,062)	14,575	(15,463)	18,759	(56,345)
Gain arising from disposal of subsidiaries								76,031
Gain on partial disposal of interests in joint ventures								135,412
Corporate income								4,325
Corporate expenses								(66,789)
Profit before income tax								92,634
As at 31 December 2023								
Assets	713,867	439,841	2,459,754	339,273	1,019,813	164,818	64,951	5,202,317
Property, plant and equipment								175,418
Other assets								80,288
Tax assets								3,037
Other corporate assets								22,665
Total consolidated assets								5,483,725
As at 31 December 2023								
Liabilities	156,767	25,668	262,611	227,634	81,186	25,881	9,647	789,394
Borrowings								66,906
Tax liabilities								523,246
Other corporate liabilities								168,785
Total consolidated liabilities								1,548,331

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31 December 2023									
Interest income	2,683	51	101	–	901	491	479	3,784	8,490
Finance costs	1,446	494	15,041	15,560	5,945	177	–	13,292	51,955
Depreciation and amortisation	19,371	20,397	652	–	–	25,226	–	6,300	71,946
Fair value loss on investment properties	–	–	69,892	–	–	–	–	–	69,892
Fair value loss on financial assets at fair value through profit or loss	–	–	–	–	22,736	–	–	–	22,736
Impairment loss on financial assets at amortised cost	93	–	435	–	–	464	–	–	992
Write-off of prepayments and deposits	–	–	–	200	–	–	–	–	200
Write-down of inventories of properties	–	–	–	16,239	–	–	–	–	16,239
Allowance for other inventories	2,718	1,477	–	–	–	–	–	–	4,195
Impairment loss on intangible assets	–	–	–	–	–	17,361	–	–	17,361
Impairment loss on property, plant and equipment	–	11,438	–	–	–	639	–	–	12,077
Write-off of property, plant and equipment	67	124	–	–	–	–	–	2	193
Share of (loss)/profit of associates	–	–	(810)	–	–	–	6,563	–	5,753
Share of profit of joint ventures	–	–	–	–	–	–	11,464	–	11,464
Capital expenditure^	3,548	71,523	58,177	–	–	14,496	–	6,084	153,828
As at 31 December 2023									
Interests in associates	–	–	162,103	–	–	–	17,086	–	179,189

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2022								
Revenue	880,793	112,841	74,821	33,190	–	57,697	–	1,159,342
Profit/(Loss)	75,888	(36,542)	(18,272)	(19,044)	(20,647)	(9,539)	9,871	(18,285)
Corporate income								1,460
Corporate expenses								(71,130)
Loss before income tax								(87,955)
As at 31 December 2022								
Assets	918,279	393,605	2,478,613	336,638	1,024,950	176,577	72,081	5,400,743
Property, plant and equipment								191,475
Other assets								74,988
Tax assets								2,139
Other corporate assets								156,809
Total consolidated assets								5,826,154
As at 31 December 2022								
Liabilities	238,778	20,563	202,938	322,739	83,655	29,458	19,842	917,973
Borrowings								175,847
Tax liabilities								576,113
Other corporate liabilities								169,993
Total consolidated liabilities								1,839,926

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31 December 2022									
Interest income	918	91	112	5,734	751	825	750	4,137	13,318
Finance costs	2,007	505	6,129	9,775	1,614	275	–	15,807	36,112
Depreciation and amortisation	19,260	20,859	138	–	–	26,150	379	6,507	73,293
Fair value loss on investment properties	–	–	66,954	–	–	–	–	–	66,954
Fair value loss on financial assets/ liabilities at fair value through profit or loss	–	–	–	–	62,371	–	–	–	62,371
(Reversal of impairment loss)/ Impairment loss on financial assets at amortised cost	(1,059)	–	(439)	–	–	2,167	151	–	820
Allowance for other inventories	522	4,262	–	–	–	–	–	–	4,784
Impairment loss on intangible assets	–	–	–	–	–	13,607	–	3,160	16,767
Impairment loss on property, plant and equipment	–	12,943	–	–	–	6,393	–	–	19,336
Write-off of property, plant and equipment	–	66	–	–	–	–	1,469	–	1,535
Share of loss of associates	–	–	4,786	–	–	–	–	–	4,786
Share of profit of joint ventures	–	–	–	–	–	–	23,078	–	23,078
Capital expenditure^	7,324	123,012	4,808	–	–	310	391	17,630	153,475
As at 31 December 2022									
Interest in associates	–	–	170,340	–	–	–	–	–	170,340
Interest in joint ventures	–	–	–	–	–	–	45,479	–	45,479

^ Capital expenditure includes additions to investment properties, property, plant and equipment (including right-of-use assets), construction in progress, prepayments for acquisition of property, plant and equipment, intangible assets and other assets but excludes reclassification or transfer among these items.

An analysis of the Group's revenue by geographical location, determined based on (i) location of customers or location to which the goods are delivered; and (ii) location of properties in case of rental income, is as follows:

	2023 HK$'000	2022 HK$'000
Hong Kong (Place of domicile)	**31,023**	57,394
Other regions of the PRC	**469,461**	677,233
Taiwan	**44,981**	45,174
Other Asian countries	**42,967**	55,450
Australia	**42,832**	42,759
North America	**162,362**	225,022
Europe	**31,499**	48,792
Others	**6,613**	7,518
	831,738	1,159,342

7. BUSINESS INFORMATION *(Continued)*

An analysis of the Group's non-current assets excluding financial instruments and deferred tax assets by geographical locations, determined based on location of the assets or location of operations in case of interests in associates and joint ventures, is as follows:

	2023	2022
	HK$'000	HK$'000
Hong Kong	**730,109**	762,782
Other regions of the PRC	**2,444,764**	2,473,467
Asia, other than the PRC	**72,416**	55,193
North America	**17,086**	45,480
United Kingdom	**19,880**	19,872
	3,284,255	3,356,794

Revenue derived from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2023	2022
	HK$'000	HK$'000
Customer A	**194,462**	205,990
Customer B	**161,093**	170,976
Customer C	**135,945**	296,526
Customer D	**N/A**	123,491

N/A: not applicable as revenue from this customer is less than 10% of the Group's revenue.

Revenue derived from the above major customers is reported under the segment "Electrical appliances".

8. FINANCE COSTS

	2023	2022
	HK$'000	HK$'000
Interest charges on:		
Bank loans and overdrafts	**40,157**	24,653
Other borrowings	**3,226**	1,265
Lease liabilities *(note 31)*	**184**	319
Total interest expense	**43,567**	26,237
Bank charges and arrangement fee	**8,388**	9,875
	51,955	36,112

9. PROFIT/LOSS BEFORE INCOME TAX

	2023 HK$'000	2022 HK$'000
Profit/Loss before income tax is arrived at after charging/(crediting):		
Amortisation:		
Intangible assets[#]	**39**	40
Depreciation:		
Right-of-use assets		
Land and buildings with ownership interests held for own use	**21,642**	20,742
Other properties leased for own use	**3,140**	3,284
Furniture and equipment	**232**	692
Other property, plant and equipment	**46,893**	48,535
	71,907	73,253
Auditors' remuneration:		
Current year	**3,048**	2,967
Over-provision in prior year	**(63)**	(69)
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**547,508**	830,408
Write-down of inventories of properties	**16,239**	–
Allowance for other inventories	**4,195**	4,784
Directors' emoluments	**26,002**	24,353
Donations	**520**	8,400
Loss on disposal of property, plant and equipment	**110**	273
Impairment loss/(Reversal of impairment loss) on financial assets at amortised cost	**835**	(476)
Write-off of financial assets at amortised cost	**157**	1,296
Write-off of prepayments and deposits	**200**	–
Write-off of property, plant and equipment	**193**	1,535
Outgoings in respect of investment properties	**32,009**	15,035
Net rental income from investment properties	**(44,814)**	(59,786)
Research and development cost[^]	**3,585**	11,898
Lease expenses for short-term lease	**–**	796
Staff costs *(note 11)*	**137,918**	150,121

[#] included in "Cost of sales and services provided" in the consolidated income statement

[^] including depreciation of property, plant and equipment and staff costs of HK$63,000 (2022: HK$198,000) and HK$1,381,000 (2022: HK$1,292,000) respectively

10. INCOME TAX EXPENSE/CREDIT

	2023 HK$'000	2022 HK$'000
Income tax expense/(credit) comprise:		
Current tax for the year		
Hong Kong profits tax	**3,591**	4,827
Other regions of the PRC – Enterprise Income Tax ("EIT")	**26,662**	16,171
Others	**–**	6
	30,253	21,004
(Over)/Under provision in prior years		
Hong Kong profits tax	**(51)**	(166)
Other regions of the PRC	**2,347**	(58)
	2,296	(224)
Deferred tax *(note 36)*		
PRC – Land Appreciation Tax ("LAT")	**(17,502)**	(27,003)
Other income tax	**(9,707)**	(10,792)
	(27,209)	(37,795)
Income tax expense/(credit)	**5,340**	(17,015)

For the years ended 31 December 2023 and 2022, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits derived from Hong Kong, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, first HK$2 million of assessable profits of the qualifying entity is taxed at 8.25% and profits above HK$2 million are taxed at 16.5%. The profits of entities that are subject to Hong Kong Profits Tax but not qualified for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

EIT arising from other regions of the PRC is calculated at 5% to 25% (2022: 10% to 25%) on the estimated assessable income for the year.

During the year ended 31 December 2023, a subsidiary of the Company qualified as a Small and Micro Enterprise ("SME") and was entitled to the PRC preferential EIT rate of 5% (2022: 25%). Pursuant to the Announcement of the PRC [2023] No. 12 "Announcement on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Businesses" (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) issued by the Ministry of Finance and the State Taxation Administration, for an entity qualified as SME, the taxable income not exceeding RMB3 million shall be calculated at a reduced rate of 25% as taxable income and be subject to EIT rate of 20%, i.e. an effective rate of 5%.

PRC LAT is levied at progressive rates from 30% to 60% (2022: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Overseas tax is calculated at the rates applicable in the respective jurisdictions.

10. INCOME TAX EXPENSE/CREDIT *(Continued)*

Income tax expense/(credit) for the year can be reconciled to profit/(loss) before income tax in the consolidated income statement at applicable tax rates as follows:

	2023 **HK$'000**	2022 HK$'000
Profit/(Loss) before income tax	**92,634**	(87,955)
Tax on profit/(loss) at the rates applicable to profits/(losses) in the jurisdictions concerned	**2,130**	(19,381)
Tax effect of expenses not deductible for tax purpose	**34,296**	15,973
Tax effect of income not taxable for tax purpose	**(37,970)**	(8,631)
Share of results of associates and joint ventures	**749**	421
Utilisation of tax losses previously not recognised	**(746)**	(1,665)
Tax losses and other temporary differences not recognised	**16,432**	20,563
Under/(Over) provision in prior years	**2,296**	(224)
Effect of withholding tax on distributable profits of the Company's PRC subsidiaries	**8**	1,592
PRC LAT	**(17,502)**	(27,003)
Others	**5,647**	1,340
Income tax expense/(credit)	**5,340**	(17,015)

11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2023 **HK$'000**	2022 HK$'000
Salaries, allowances and other benefits*	**128,858**	140,925
Retirement fund contributions *(note 44)*	**8,562**	9,196
Termination benefits	**498**	–
	137,918	150,121

* In 2022, the Group received subsidies of HK$1,964,000 from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by The Government of the Hong Kong Special Administrative Region supporting the payroll of the Group's employees in Hong Kong. Under the ESS, the Group had committed to spend these subsidies on payroll expenses and not to reduce employee headcount below prescribed levels for a specified period. There were no unfulfilled conditions under the aforementioned program attaching to the subsidies recognised. Such subsidies were deducted from the Group's staff costs for the last year.

12. DIVIDENDS

(a) Dividend payable to owners of the Company attributable to the year

The directors of the Company did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2023 (2022: final dividend of HK0.3 cents per ordinary share amounting to HK$1,570,000).

12. DIVIDENDS *(Continued)*

(b) Dividend payable to owners of the Company attributable to previous financial year

	2023	2022
	HK$'000	HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK0.3 cents (2022: HK0.5 cents) per ordinary share	**1,570**	2,616

13. EARNINGS/LOSS PER SHARE

The calculation of basic earnings per share (2022: loss per share) is based on the profit attributable to owners of the Company of HK$82,238,000 (2022: loss of HK$75,477,000) and the weighted average number of ordinary shares in issue during the year of 523,254,000 (2022: 523,254,000).

Diluted earnings per share for the year ended 31 December 2023 is same as the basic earnings per share as there were no dilutive potential ordinary share in issue during the current year.

Diluted loss per share for the year ended 31 December 2022 is same as the basic loss per share as the Company did not assume the exercise of the outstanding share options granted by PFC Device Inc. since the exercise price of the share options was higher than the average market price of PFC Device Inc. during the period up to the cancellation of the share options. The share options were cancelled in March 2022 as a result of by a cash offer by Lotus Atlantic Limited ("Lotus Altantic"), the then immediate holding company of PFC Device Inc. pursuant to the privatisation of PFC Device Inc. as detailed in note 41(b).

14. INVESTMENT PROPERTIES

	2023	2022
	HK$'000	HK$'000
Carrying amount at 1 January	**2,217,826**	2,434,223
Translation adjustment	**(22,393)**	(154,251)
Additions	**58,168**	4,808
Decrease in fair value*	**(69,892)**	(66,954)
Carrying amount at 31 December	**2,183,709**	2,217,826

* disclosed as "Fair value loss on investment properties" in the consolidated income statement

The Group's investment properties are measured at fair value on a recurring basis. The fair values of the investment properties as at 31 December 2023 and 2022 were assessed by the directors with reference to property valuations at those dates conducted by independent professional valuers. As at 31 December 2023, valuation of investment properties which are situated in Hong Kong, other regions of the PRC, Vietnam, and the United Kingdom were carried out by Savills Valuation and Professional Services Limited, Savills Valuation and Professional Services (China) Limited, Savills Vietnam Co., Ltd., and Knight Frank LLP respectively. As at 31 December 2022, valuation of investment properties which are situated in Hong Kong and other regions of the PRC, and the United Kingdom were carried out by Knight Frank Petty Limited and Knight Frank LLP respectively. These valuers are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement* ("HKFRS 13"). All of the fair values of the investment properties as at 31 December 2023 and 2022 are level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques and key inputs to the valuations as at the end of the reporting period:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per square foot ("sq.ft.")	HK$4,077 (2022: HK$4,317) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per sq. ft.	HK$12,600 per sq. ft.	The higher the unit price, the higher the fair value
		(2022: Income Capitalisation Approach)	(2022: Monthly rent per sq. ft.)	(2022: HK$43.5 per sq. ft.)	The higher the market rent, the higher the fair value
			(2022: Capitalisation rate)	(2022: 3.8%)	The higher the capitalisation rate, the lower the fair value
Commercial complex	PRC	Income Capitalisation Approach	Monthly rent per square metre ("sq. m.")	Renminbi ("RMB") 164 (2022: RMB180) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2022: 5.5%)	The higher the capitalisation rate, the lower the fair value
Commercial premise	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB181 (2022: RMB185) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2022: 5.5%)	The higher the capitalisation rate, the lower the fair value
Industrial complex	PRC	Direct Comparison Approach	Unit price per sq. m.	RMB7,700 (2022: RMB7,700) per sq. m.	The higher the unit price, the higher the fair value
Industrial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB62 per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.0%	The higher the capitalisation rate, the lower the fair value
Residential premise	United Kingdom	Sales Comparison Approach	Unit price per sq. ft.	British Pound Sterling ("GBP") 1,617 (2022: GBP1,698) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	Vietnam	Direct Comparison Approach	Unit price per sq. m.	Vietnamese Dong ("VND") 2,403,628 per sq. m.	The higher the unit price, the higher the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Under Sales Comparison Approach or Direct Comparison Approach, fair value is assessed by reference to market comparable transactions available in the relevant market.

Under Income Capitalisation Approach, fair value is assessed on the basis of capitalisation of net income.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 46.

In securing the borrowings, the Group has undertaken, under a negative pledge clause, to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain investment properties with carrying amount of HK$513,000,000 (2022: HK$548,150,000) as at 31 December 2023.

Certain investment properties of the Group are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 45.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings with ownership interests held for own use HK$'000	Other properties leased for own use HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2022	447,550	21,820	246,827	86,774	83,393	143,210	1,029,574
Translation adjustment	(23,209)	(1,837)	(20,884)	(6,486)	(5,856)	(11,189)	(69,461)
Additions	1,107	–	6,948	2,976	7,095	1,704	19,830
Disposals	–	–	(186)	–	(74)	(2,679)	(2,939)
Write-off	–	–	(163)	(10,717)	(3,980)	–	(14,860)
Lease modification	–	(1,652)	–	–	–	–	(1,652)
Revaluation adjustment *(note (a))*	872	–	–	–	–	–	872
At 31 December 2022 and 1 January 2023	**426,320**	**18,331**	**232,542**	**72,547**	**80,578**	**131,046**	**961,364**
Translation adjustment	**(3,438)**	**(178)**	**(3,288)**	**(410)**	**(878)**	**(1,664)**	**(9,856)**
Additions	**9,472**	**–**	**6,366**	**1,096**	**1,172**	**5,700**	**23,806**
Disposals	**–**	**–**	**(698)**	**–**	**(200)**	**(2,103)**	**(3,001)**
Write-off	**–**	**–**	**(422)**	**(51,929)**	**(4,349)**	**–**	**(56,700)**
Lease modification	**–**	**1,452**	**–**	**–**	**–**	**–**	**1,452**
Revaluation adjustment *(note (a))*	**(10,593)**	**–**	**–**	**–**	**–**	**–**	**(10,593)**
At 31 December 2023	**421,761**	**19,605**	**234,500**	**21,304**	**76,323**	**132,979**	**906,472**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	–	10,382	142,297	82,318	71,320	73,841	380,158
Translation adjustment	–	(1,020)	(12,395)	(6,088)	(5,107)	(6,355)	(30,965)
Depreciation provided	20,742	3,284	18,927	2,714	5,236	22,350	73,253
Disposals	–	–	(11)	–	(33)	(2,512)	(2,556)
Write-off	–	–	(97)	(10,717)	(2,511)	–	(13,325)
Impairment *(notes (c) and (d))*	–	–	12,943	–	–	6,393	19,336
Revaluation adjustment *(note (a))*	(20,742)	–	–	–	–	–	(20,742)
At 31 December 2022 and 1 January 2023	**–**	**12,646**	**161,664**	**68,227**	**68,905**	**93,717**	**405,159**
Translation adjustment	**–**	**(135)**	**(2,365)**	**(383)**	**(761)**	**(1,267)**	**(4,911)**
Depreciation provided	**21,642**	**3,140**	**19,154**	**2,292**	**3,882**	**21,797**	**71,907**
Disposals	**–**	**–**	**(612)**	**–**	**(181)**	**(1,815)**	**(2,608)**
Write-off	**–**	**–**	**(254)**	**(51,908)**	**(4,345)**	**–**	**(56,507)**
Impairment *(notes (c) and (d))*	**–**	**–**	**11,438**	**–**	**–**	**639**	**12,077**
Revaluation adjustment *(note (a))*	**(21,642)**	**–**	**–**	**–**	**–**	**–**	**(21,642)**
At 31 December 2023	**–**	**15,651**	**189,025**	**18,228**	**67,500**	**113,071**	**403,475**
NET CARRYING AMOUNT							
At 31 December 2023	**421,761**	**3,954**	**45,475**	**3,076**	**8,823**	**19,908**	**502,997**
At 31 December 2022	426,320	5,685	70,878	4,320	11,673	37,329	556,205

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) Land and buildings for which the Group has ownership interests and are held for own use are stated at revalued amount at the end of the reporting period and subsequently subject to depreciation and impairment assessment. With reference to the carrying values of the land and buildings as at 31 December 2023, the Group recorded a net increase in carrying value for these land and buildings of HK$11,049,000 (2022: HK$21,614,000). The increase in carrying value net of income tax credit of HK$2,760,000 (2022: income tax expense of HK$2,804,000) which amounted to HK$13,809,000 (2022: HK$18,810,000) was dealt with in assets revaluation reserve in equity.

For land and buildings with ownership interests held for own use, the difference in depreciation provided based on the original cost and revalued amount for the year ended 31 December 2023 amounting to HK$16,142,000 (2022: HK$15,121,000) was reclassified from assets revaluation reserve to retained profits.

(b) The fair values of the land and buildings with ownership interests held for own use as at 31 December 2023 and 2022 were assessed by the directors with reference to property valuations at those dates conducted by independent professional valuers. Valuation of the land and buildings situated in Hong Kong and other regions of the PRC were conducted by Savills Valuation and Professional Services Limited and Savills Valuation and Professional Services (China) Limited respectively whereas valuation of the land and buildings situated in Thailand was carried out by Knight Frank Chartered (Thailand) Company Limited. These valuers are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's land and buildings with ownership interests held for own use have been categorised into the three-level fair value hierarchy as defined in HKFRS 13. All the fair values of these land and buildings as at 31 December 2023 and 2022 are level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

Below is a summary of the valuation techniques and key inputs to the valuations of land and buildings with ownership interests held for own use as at the end of the reporting period:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per sq. ft.	HK$4,077 – HK$4,100 (2022: HK$4,317 – HK$4,500) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB17 (2022: RMB16) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.75% (2022: 6.75%)	The higher the capitalisation rate, the lower the fair value
Industrial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB62 per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.0%	The higher the capitalisation rate, the lower the fair value
Commercial complex	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB164 (2022: RMB180) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2022: 5.5%)	The higher the capitalisation rate, the lower the fair value
Commercial premises	PRC	Direct Comparison Approach	Unit price per sq. m.	RMB38,000 (2022: RMB39,000 per sq. m.)	The higher the unit price, the higher the fair value
Commercial premises	PRC	Direct Comparison Approach	Unit price per sq. m.	RMB57,000 (2022: RMB58,000) per sq. m.	The higher the unit price, the higher the fair value
Residential premises	Thailand	Direct Comparison Approach	Unit price per sq. m.	US$2,853 (2022: US$2,857) per sq. m.	The higher the unit price, the higher the fair value

The fair value measurement is based on the highest and best use of the properties, which does not differ from their actual use.

Under Direct Comparison Approach, fair value is assessed by reference to market comparable transactions available in the relevant market. Under Income Capitalisation Approach, fair value is assessed on the basis of capitalisation of net income.

Had the revalued properties been measured using cost model, their net carrying amount would have been HK$105,590,000 (2022: HK$102,643,000).

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: (Continued)

(c) During the year ended 31 December 2023, impairment provision was made for certain property, plant and equipment which were being deployed by the business segment of taxi rental, which amounted to HK$639,000 (2022: HK$6,393,000). Details of the impairment assessment are set out in note 17.

(d) Management performed impairment testing on the relevant property, plant and equipment, prepayments for acquisition of property, plant and equipment and right-of-use assets attributable to the CGU of (i) the PFC Division; and (ii) the IGBT Division within the segment of power discrete semiconductors. The recoverable amounts of these two CGUs at the end of the reporting period were determined using value-in-use basis based on discounted cash flow approach.

Based on the result of impairment assessment of the CGU of the PFC Division, the recoverable amount of the CGU of the PFC Division as at 31 December 2023 was lower than its carrying amounts by HK$3,000,000 and accordingly, impairment provision amounting to HK$3,000,000 (2022: nil) and the related deferred tax impact of HK$750,000 (2022: nil) were recognised. The impairment loss recognised for the year is mainly due to lower forecasted sales volume having regard to the recent market condition. The value-in-use calculations of the CGU of the PFC Division use cash flow projections based on the financial budgets approved by the management. The financial budget prepared for the current year's impairment assessment are up to 2028 and cash flows beyond the budget period are extrapolated using an estimated growth rate of 3%. The pre-tax discount rate applied to the cash flow projection is 17.2% which reflects specific risks relating to the business and industry in which the PFC Division is engaged.

Based on the result of impairment assessment of the CGU of the IGBT Division, the recoverable amount of CGU of the IGBT Division as at 31 December 2023 was lower than its carrying amount by HK$8,438,000 (2022: HK$12,943,000) and accordingly, impairment provision amounting to HK$8,438,000 (2022: HK$12,943,000) and the related deferred tax impact of HK$2,109,000 (2022: HK$3,236,000) were recognised for the current year for the relevant property, plant and equipment attributable to the CGU of the IGBT Division. The impairment loss recognised for the year is mainly due to higher operating overheads and lower production output expected having regard to the economic outlook and the increased uncertainty of the business development of IGBT. The value-in-use calculations of the CGU of the IGBT Division use cash flow projections based on the financial budgets approved by the management. The financial budget prepared for current year's impairment assessment are up to 2028 and cash flows beyond the budget period are extrapolated using an estimated growth rate of about 3%. Key assumptions underlying the cash flow projections include sales volume, product mix and manufacturing overheads. These assumptions were determined based on past performance and management's expectations in respect of the market conditions as well as the economic changes which have impact on the IGBT Business. The pre-tax discount rate applied to the cash flow projection is 16.5% (2022: 20.4%) which reflects specific risks relating to the business and industry in which the IGBT Division is engaged.

(e) The analysis of the net carrying amount of right-of-use assets by class of underlying asset is as follows:

	2023 **HK$'000**	2022 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at revalued amount	**421,761**	426,320
Other properties leased for own use, carried at depreciated cost	**3,954**	5,685
Furniture, fixtures and office equipment	**–**	234
	425,715	432,239

(f) In securing the borrowings, the Group has undertaken under a negative pledge clause to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain property, plant and equipment with carrying amount of HK$326,985,000 as at 31 December 2023 (2022: HK$339,144,000).

Certain property, plant and equipment of the Group are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 45.

16. CONSTRUCTION IN PROGRESS

	2023	2022
	HK$'000	HK$'000
Carrying amount at 1 January	**32,814**	9,629
Translation adjustment	**(585)**	(1,657)
Additions	**9,890**	24,842
Carrying amount at 31 December	**42,119**	32,814

The Group's construction in progress is stated at cost less impairment. Construction in progress is transferred to the appropriate class of property, plant and equipment (note 15) when substantially all the activities necessary to prepare the assets for their intended use are completed.

17. INTANGIBLE ASSETS

	Taxi licences HK$'000	**Small passenger car quotas licences HK$'000**	**Patent, trademark and copyrights HK$'000**	**Club membership HK$'000**	**Total HK$'000**
COST					
At 1 January 2022	287,427	2,018	9,647	–	299,092
Translation adjustment	(24,346)	(171)	14	–	(24,503)
Addition	–	–	–	15,000	15,000
At 31 December 2022 and 1 January 2023	**263,081**	**1,847**	**9,661**	**15,000**	**289,589**
Translation adjustment	**(3,595)**	**(25)**	**36**	**–**	**(3,584)**
At 31 December 2023	**259,486**	**1,822**	**9,697**	**15,000**	**286,005**
AMORTISATION AND IMPAIRMENT					
At 1 January 2022	187,226	–	9,647	–	196,873
Translation adjustment	(16,355)	–	14	–	(16,341)
Amortisation charged	40	–	–	–	40
Impairment	13,607	–	–	3,160	16,767
At 31 December 2022 and 1 January 2023	**184,518**	**–**	**9,661**	**3,160**	**197,339**
Translation adjustment	**(2,619)**	**–**	**36**	**–**	**(2,583)**
Amortisation charged	**39**	**–**	**–**	**–**	**39**
Impairment	**17,361**	**–**	**–**	**–**	**17,361**
At 31 December 2023	**199,299**	**–**	**9,697**	**3,160**	**212,156**
NET CARRYING AMOUNT					
At 31 December 2023	**60,187**	**1,822**	**–**	**11,840**	**73,849**
At 31 December 2022	78,563	1,847	–	11,840	92,250

17. INTANGIBLE ASSETS *(Continued)*

Taxi Licences

According to the relevant regulations promulgated by the PRC government, taxi vehicle in general is allowed to be deployed for taxi operations for a maximum period of 5 years. After the 5-year operating period, taxi operators have to replace the aged taxi vehicles with new taxi vehicles so as to continue the taxi operations. During the year ended 31 December 2019, the PRC government launched a scheme to encourage taxi operators to speed up the replacement of the taxi vehicles with electric taxi vehicles. The Group participated in the scheme and replaced its taxi vehicles by electric taxi vehicles in advance of the mandatory replacement timeline and in return, the Group was granted certain taxi licences for free ("Free Taxi Licences"). These Free Taxi Licences entitle holders to operate taxi vehicles for a five-year period and accordingly, the useful life of these Free Taxi Licences is assessed to be five years. On initial recognition, the Group recognised these Free Taxi Licences as intangible assets at nominal amount of HK$18,174,000, which was determined as the excess of (i) the net carrying amount of the relevant taxi vehicles over (ii) the proceeds received from disposing those replaced taxi vehicles. These Free Taxi Licences are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation commences once the Free Taxi Licences are put into operation.

Other than the Free Taxi Licences, the Group holds taxi licences which are not subject to any restriction ("Other Taxi Licences"). In the opinion of the directors, these Other Taxi Licences have indefinite useful life as there is no foreseeable limit on the period of the time on which Other Taxi Licences are expected to generate cash flows. Accordingly, these Other Taxi Licences are not amortised and instead, are subject to impairment at least annually.

The above taxi licences (the "Taxi Licences") together with the relevant property, plant and equipment including right-of-use assets which form the CGU of taxi rental within the segment of taxi rental are tested for impairment by the management by estimating its recoverable amount. The recoverable amounts of this CGU as at 31 December 2023 and 2022 were determined based on value-in-use calculations.

The calculations use cash flow projections based on the financial budgets approved by the management. The financial budget prepared for current year's impairment assessment are up to year 2039 (2022: 2039) and cash flows beyond the budget period are extrapolated using an estimated growth rate of 3% (2022: 3%). It is assumed that the Group is able to extend the business period of the PRC subsidiary engaging in taxi rental operation upon expiry in year 2033 on the ground that the application made to the relevant PRC government authority for extending the business period in previous years were successful and without encountering significant difficulty.

Other key assumptions used by management in the calculations have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group was based on the taxi licences held at the end of the reporting period and taking into account of the expected expiry of the Free Taxi Licences, and (ii) taxi rental income is determined based on the fee income to be received pursuant to the existing rental agreements, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projection is 19.6% (2022: 20.3%) which reflects specific risks relating to the taxi rental operation in the PRC.

Based on the results of the annual impairment assessment, the recoverable amount of the taxi rental business as at 31 December 2023 was estimated to be lower than its carrying amount by HK$18,000,000 (2022: HK$20,000,000) and accordingly, impairment provision was made as to HK$17,361,000 (2022: HK$13,607,000) for the taxi licences and HK$639,000 (2022: HK$6,393,000) for the relevant property, plant and equipment (note 15) and the related deferred tax impact was HK$4,500,000 (2022: HK$5,000,000). The taxi rental operation is still facing uncertainties, in particular those arising from general economy in Mainland China, keen competition from e-hailing vehicles and relevant government policies and measures on public transportation including taxi rental, which could have adverse impact on the taxi rental income and demand for taxi rental. Accordingly, impairment provision of HK$18,000,000 (2022: HK$20,000,000) was recognised in the current year.

As the carrying amount of the CGU of taxi rental business has been reduced to its recoverable amount, any adverse change in the key assumptions would results in further possible impairment losses.

Small Passenger Car Quotas

Balances as at 31 December 2023 and 2022 represented the net carrying amount of a number of small passenger car quotas (the "Small Passenger Car Quotas") acquired by the Group in year 2015 at aggregate consideration of approximately HK$1,969,000.

The Car Quotas entitle the holders to apply for licence plates for small passenger cars in Guangzhou under specific rules and regulations for an unspecified period. Based on the prevailing rules and regulations, the directors are of the opinion that these Car Quotas carry indefinite useful life.

18. INTERESTS IN ASSOCIATES

	2023	2022
	HK$'000	HK$'000
Share of net assets	**179,189**	170,340

Details of the Group's principal associates as at 31 December 2023 are set out in note 55.

In the opinion of the directors, Hong Kong Construction SMC Development Limited and its subsidiary, 熊谷蜆壳發展(廣州)有限公司 (for identification – Kumagai SMC Development (Guangzhou) Limited) (collectively, the "HKCSMC Group") and 艾普陽科技(深圳)有限公司 ("Appeon SZ") and its subsidiary, Appeon Inc. (collectively, the "Appeon Group") are material to the Group.

The following illustrates the summarised financial information in respect of HKCSMC Group with comparative information extracted from the management accounts for the year ended 31 December 2023 which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2023	2022
	HK$'000	HK$'000
Year ended 31 December		
Revenue	**71,134**	85,609
Loss for the year	**(4,050)**	(23,930)
Other comprehensive income for the year	**(8,407)**	(56,927)
Total comprehensive income for the year	**(12,457)**	(80,857)
Dividend received from associates	**–**	–

	2023	2022
	HK$'000	HK$'000
As at 31 December		
Current assets	**246,148**	357,712
Non-current assets	**1,277,621**	1,310,802
Current liabilities	**(219,939)**	(221,019)
Non-current liabilities	**(493,319)**	(595,796)
Net assets	**810,511**	851,699
Carrying amount of the Group's interest in the net assets of the associates	**162,103**	170,340

18. INTERESTS IN ASSOCIATES *(Continued)*

The following illustrates the summarised financial information in respect of Appeon Group extracted from the management accounts for the year ended 31 December 2023 which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2023
	HK$'000
Year ended 31 December	
Revenue	**104,867**
Profit for the year	**49,115**
Other comprehensive income for the year	**3,025**
Total comprehensive income for the year	**52,140**
Dividend received from associates	**–**

	2023
	HK$'000
As at 31 December	
Current assets	**149,089**
Non-current assets	**3,376**
Current liabilities	**(83,953)**
Non-current liabilities	**(1,751)**
Net assets	**66,761**
Carrying amount of the Group's interest in the net assets of the associates	**17,086**

19. INTERESTS IN JOINT VENTURES

	2023	2022
	HK$'000	HK$'000
Share of net assets	**–**	45,479

As at 31 December 2022, the Group held 51.18% equity in a joint venture. The joint venture and its subsidiary are principally engaged in sales and licensing of software and software development. On 1 June 2023, the Group entered into a sales and purchase agreement with an independent third party to dispose of its 26.61% equity interest in the joint venture at a consideration of approximately RMB137,725,000, equivalent to approximately HK$149,264,000. The disposal was completed in July 2023, the Group's equity interest in the joint venture was reduced from 51.18% to 24.57%, and it became an associate of the Group.

Details of the disposal of 26.61% equity interest in the joint venture are as follows:

	2023
	HK$'000
Consideration pursuant to the agreement	**149,264**
Less: Transaction costs	**(2,297)**
Net consideration	**146,967**
Net assets of the joint venture disposed of	**(11,555)**
Gain on disposal of 26.61% equity interest in the joint venture	**135,412**

19. INTERESTS IN JOINT VENTURES *(Continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2023 HK\$'000 *(Note)*	2022 HK\$'000
Year ended 31 December		
Share of the joint ventures' profit for the year	**11,464**	23,078
Share of the joint ventures' other comprehensive income for the year	**1,846**	(3,394)
Share of the joint ventures' total comprehensive income for the year	**13,310**	19,684
Dividend received from joint ventures	**36,568**	14,863
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	**–**	45,479

Note: Up to the date of disposal

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK\$'000	2022 HK\$'000
Listed equity securities	**160,826**	212,140
Unlisted equity securities	**663,131**	581,763
	823,957	793,903

The Group held certain listed and unlisted equity securities for strategic purposes and they were irrevocably designated at financial assets at fair value through other comprehensive income.

For the year ended 31 December 2023, the Group recorded a decrease in fair value for investments in equity securities amounting to HK\$75,565,000 (2022: HK\$64,638,000) and the resulting tax effect of HK\$282,000 (2022: nil), which are dealt with in financial assets at fair value through other comprehensive income reserve in equity.

During the year ended 31 December 2022, the Group disposed of listed equity securities with investment costs amounting to US\$4,690,000 at consideration of US\$5,775,000 (equivalent to HK\$45,036,000), the cumulative gain of the investment net of the resulting income tax effect which amounted to US\$1,085,000 (equivalent to HK\$8,485,000) was transferred from financial assets at fair value through other comprehensive income reserve to retained profits.

Certain equity securities are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 45.

21. OTHER ASSETS

Other assets mainly represent antiques and art works held by the Group for long-term investment purposes.

Antiques and art works are reviewed for impairment by the management with reference to the valuation conducted by an independent professional valuer. In the opinion of the directors, the antiques, art works worth at least their carrying values at the end of the reporting period.

22. LOANS RECEIVABLE

	2023 HK$'000	2022 HK$'000
Loans receivable from:		
Associates	**39,469**	56,497
Non-controlling shareholder	**1,562**	–
	41,031	56,497
Analysed into:		
Amount receivable in more than one year included in non-current assets	**41,031**	56,497

Loans to associates as at 31 December 2023 amounting to HK$39,469,000 (2022: HK$56,497,000) are unsecured and interest-free. The amortised cost of the loan at the end of the reporting period is calculated at the present value of the expected settlement from the associate in accordance with the business plan of the respective associate, discounted at the rate of return of similar financial assets. The loans are expected not to be repayable within twelve months from the end of the reporting period and accordingly, they are classified as non-current assets.

Loan to non-controlling shareholder as at 31 December 2023 amounting to HK$1,562,000 (2022: nil) is interest-bearing at fixed rate of 5% per annum, repayable in January 2025 and secured by the shares of an entity owned by the non-controlling shareholder.

Further details of the Group's credit policy and credit risk arising from loans receivable and the loss allowance for loans receivable are set out in note 53.3.

23. FINANCE LEASE RECEIVABLES

The Group entered into agreements with customers for replacing the light tubes of their properties by the LED light tubes produced by the Group under energy saving projects. In return, the Group is entitled to monthly income for a period of five to eight years which is arrived at on a pre-determined basis. Under the agreements, the Group is also responsible for free maintenance and replacement of LED light tubes. The agreements constitute finance leases of LED light tubes. Accordingly, sales are recognised when the LED light tubes are installed in the properties. Costs related to the sales transactions are recognised in the same period. Sales revenue recognised at the commencement of the leases represents the present value of the minimum lease payments receivable from the customers over the lease period, computed at a market rate of interest.

In addition, the Group also engages in the business of sales of motor vehicles, which is part of the segment of taxi rental and sales of motor vehicles. The Group entered into agreements with customers for leasing of motor vehicles with Small Passenger Car Quotas (note 17) attached for a period of three years in return for monthly income. Qualified motor vehicles with Small Passenger Car Quotas are legally permitted to operate on the public road carrying passengers during the lease period. The agreements constitute finance leases of motor vehicles which have estimated useful life of three years. Accordingly, sales revenue is recognised at the commencement of lease term whereas cost of sale is recognised in the same period. Sales revenue is the present value of the minimum lease payments receivable from the customers over the lease term, computed at a market rate of interest.

Finance income arising from the aforesaid finance lease arrangements is allocated over the lease period on a systematic basis reflecting a constant periodic return on the Group's net investment in the finance leases.

23. FINANCE LEASE RECEIVABLES *(Continued)*

The analysis of the finance lease receivables is as follows:

	Total minimum lease payments receivable		**Present value of minimum lease payments receivable**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable:				
Not later than one year	**64**	476	**50**	429
Later than one year and not later than five years	**–**	71	**–**	57
	64	547	**50**	486
Future finance income	**(14)**	(61)	**–**	–
Finance lease receivables, gross	**50**	486	**50**	486
Less: Impairment	**–**	(29)	**–**	(29)
Finance lease receivables, net	**50**	457	**50**	457

	2023	2022
	HK$'000	HK$'000
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**–**	55
Amounts receivable within one year included in current assets	**50**	402
	50	457

The movements in the allowance for impairment of finance lease receivables are as follows:

	2023	2022
	HK$'000	HK$'000
At 1 January	**29**	94
Translation adjustment	**–**	(6)
Impairment losses reversed	**(29)**	(59)
At 31 December	**–**	29

Further details of the Group's credit policy on finance lease receivables as well as credit risk and loss allowance arising from finance lease receivables are set out in note 53.3.

24. INVENTORIES OF PROPERTIES

	2023	2022
	HK$'000	HK$'000
Properties under development	**304,615**	301,680

As at 31 December 2023, properties under development amounting to HK$220,237,000 (2022: HK$299,255,000) are not expected to be recovered within twelve months from the end of the reporting period.

25. OTHER INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**104,151**	126,571
Work-in-progress	**12,749**	18,424
Finished goods	**27,038**	34,860
	143,938	179,855

26. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 HK$'000	2022 HK$'000
Trade receivables *(notes (a))*	**185,438**	216,248
Less: Impairment on trade receivables *(note (b))*	**(10,023)**	(13,562)
Trade receivables, net	**175,415**	202,686
Other receivables	**13,014**	30,964
Less: Impairment on other receivables *(note (c))*	**–**	(47)
Other receivables, net	**13,014**	30,917
Prepayments and deposits *(note (d))*	**43,417**	29,950
	231,846	263,553

Notes:

(a) The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 0 to 120 days to its trade customers. Rental receivable from tenants is payable on presentation of invoices. For taxi rental income, the drivers are generally required to pay monthly rental not later than the fifth of each month.

(b) The movements in the allowance for impairment of trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**13,562**	12,365
Translation adjustment	**(96)**	(542)
Impairment losses recognised, net	**864**	1,766
Amounts written off as uncollectible	**(4,307)**	(27)
At 31 December	**10,023**	13,562

(c) The movements in the allowance for impairment of other receivables are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**47**	2,346
Translation adjustment	**–**	(116)
Impairment losses reversed, net	**–**	(2,183)
Amounts written off as uncollectible	**(47)**	–
At 31 December	**–**	47

(d) Balances as at 31 December 2023 included payment of value-added tax of HK$13,930,000 (2022: HK$3,141,000), which is mainly for machinery and materials. In addition, balance included prepayment to an associate amounting to HK$443,000 (2022: HK$615,000) which arose from the trading transactions as disclosed in note 49(a).

Further details of the Group's credit policy on trade and other receivables as well as credit risk and loss allowance arising from trade and other receivables are set out in note 53.3.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Listed equity securities	**169,476**	202,826
Listed bond	**418**	1,700
Equity-linked notes	**24,722**	25,258
	194,616	229,784

The Group acquired equity-linked notes from financial institutions in Hong Kong. The equity-linked notes are structured notes which contain embedded derivative and the return of which are dependent on the market price of the underlying equity securities which are listed on the Stock Exchange.

There are two outstanding equity-linked notes as at 31 December 2023, which have remaining maturity of one month from 31 December 2023. Details of these two equity-linked notes are set out below:

- The first equity-linked note contains terms enabling the issuer, on maturity date, either (i) to settle the principal and coupon if the market price of the underlying securities at determination date is higher than or equal to the predetermined reference stock price; or (ii) to deliver the underlying equity securities if the market price of the underlying securities at determination date is lower than the predetermined reference stock price and the market price of the underlying securities at any day during the period from trade day to determination date has been lower than the barrier price (the "Barrier Event"); or (iii) to settle the principal if the market price of the underlying securities at determination date is lower than the predetermined reference stock price and the Barrier Event has not occurred.

- The second equity-linked note contains terms enabling the issuer, on maturity date, either (i) to settle the principal and coupon if the market price of the underlying securities at any day during the period from trade day to determination date is higher than or equal to the barrier price; or (ii) to settle the principal and coupon if the market price of the underlying securities at determination date is higher than or equal to the predetermined reference stock price and the Barrier Event has occurred; (iii) to settle the principal if the market price of the underlying securities at determination date is lower than the predetermined reference stock price and the Barrier Event has not occurred; or (iv) to deliver the underlying equity securities if the market price of the underlying securities at determination date is lower than the predetermined reference stock price and the Barrier Event has occurred.

The coupon rate of the aforementioned equity-linked notes is determined at a ratio of the market price of the underlying securities at the determination date to the predetermined reference stock price of the underlying securities, subject to maximum coupon rate of ranged from 31.86% to 50.94%. As at 31 December 2023, the aggregate principal amount and fair value of these notes were US$3,200,000, equivalent to HK$25,089,000 and HK$24,722,000 respectively.

The outstanding equity-linked notes as at 31 December 2022 had remaining maturity ranged from three months to six months from 31 December 2022. These equity-linked notes contained terms enabling the issuers, on maturity date, either (i) to settle the principal and coupon if the market prices of the underlying securities at determination date are higher than or equal to the respective predetermined reference stock price; or (ii) to deliver the underlying equity securities if the market prices of the underlying securities at determination date are lower than the respective predetermined reference stock price and Barrier Event has occurred; or (iii) to settle the principal only if the market prices of the underlying securities at determination date were lower than the respective predetermined reference stock price but the Barrier Event had not occurred. For the two outstanding equity-linked notes as at 31 December 2022, the coupon rate was determined at a ratio of the market price of the underlying securities at the determination date to the predetermined reference stock price of the underlying securities, subject to maximum coupon rate of ranged from 43.34% to 47.355%. As at 31 December 2022, the aggregate principal amount and fair value of these notes were US$3,400,000, equivalent to HK$26,643,000, and HK$25,258,000 respectively.

Certain investments are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 45.

28. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES

(a) Restricted bank deposits

Restricted bank deposits as at 31 December 2023 included the follow deposits:

– Deposits of HK$23,630,000 (2022: HK$23,480,000) placed in designated bank account pursuant to the agreements entered by the Group in relation to the acquisition of land and buildings located in Guangzhou (the "GZ Property').

  On 30 October 2013, the Group entered into a sale and purchase agreement (the "Master Agreement") with an independent third party vendor (the "Vendor") and a bank to which the GZ Property had been mortgaged (the "Mortgage Bank") for acquiring the GZ Property at consideration of RMB60,000,000. The GZ Property had been pledged by the Vendor to the Mortgage Bank before the Master Agreement was entered into. Pursuant to the Master Agreement and the supplementary agreements signed on the same date, the Group placed a deposit into the designated bank account operated by the Mortgage Bank which amounted to RMB89,000,000 (equivalent to HK$113,199,000) as at 31 December 2013. Funds deposited to this designated bank account are subject to monitoring by the Mortgage Bank. Upon completion of transferring the legal title of GZ Property to the Group and settling the mortgage loan by the fund deposited into this designated bank account, the Mortgage Bank released the charge on the GZ Property.

  The legal title of the GZ Property was transferred to the Group in September 2014, the carrying value of which amounting to RMB69,000,000, equivalent to HK$76,190,000 as at 31 December 2023 was included in investment properties. As at 31 December 2023, the deposits outstanding in the designated bank account amounted to RMB21,400,000, equivalent to HK$23,630,000 (2022: RMB20,974,000, equivalent to HK$23,480,000) which is requested by the Mortgage Bank for securing the potential liabilities arising from the litigation in relation to the GZ Property (notes 48(a) and 48(b)).

28. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES *(Continued)*

(a) Restricted bank deposits *(Continued)*

– Bank deposits of RMB18,000,000, equivalent to HK$19,875,000 placed by a subsidiary in a designated bank account in relation to the acquisition of a land and building through acquiring 100% equity interest in a PRC subsidiary, namely 廣州天天友誼食品有限公司 ("Guangzhou Tiantian") (note 41(a)).

(b) Cash and bank balances

Cash and bank balances include the following:

	2023	2022
	HK$'000	HK$'000
Cash at banks, in hand and deposited with financial institutions	**237,094**	343,019
Short-term bank deposits	**141,703**	241,360
	378,797	584,379

Cash at banks earns interest at floating rates based on daily bank deposits rates.

Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

The Group's short-term bank deposits amounting to HK$141,703,000 as at 31 December 2023 (2022: HK$241,360,000) were placed with a bank with original maturity of seven days to three months (2022: seven days to three months) and earn interest income at interest rate of 1.60% to 5.54% (2022: 1.60% to 5.19%) per annum.

As at 31 December 2023, cash balances and deposits of the Group denominated in RMB amounted to approximately HK$219,293,000 (2022: HK$362,370,000). RMB is not freely convertible into other currencies.

29. CONTRACT LIABILITIES

	2023	2022
	HK$'000	HK$'000
Contract liabilities arising from		
– Sales of goods	**2,320**	344

The Group may request the customers to pay certain percentage of the contract sum upon placing orders as deposit. The deposit received by the Group is recognised as contract liabilities until the production activity is completed and the customers take possession of the products and title has been passed. In addition, the Group may receive advances from the customers during the course of the production activities and this also give rise to contract liabilities. Movements in contract liabilities are as follows:

	2023	2022
	HK$'000	HK$'000
Balance as at 1 January	**344**	1,649
Translation adjustment	**(3)**	(15)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(283)**	(1,563)
Increase in contract liabilities as a result of receiving deposits and advances during the year of which the orders are still outstanding	**2,262**	273
Balance as at 31 December	**2,320**	344

30. TRADE AND OTHER PAYABLES

	2023 **HK$'000**	2022 HK$'000
Trade payables *(note (a))*	**88,668**	103,347
Temporary receipts *(note (b))*	**146,156**	155,208
Accruals for staff costs	**22,932**	24,292
Other payables and accruals	**92,663**	83,834
Deposits received and receipt in advance *(note (c))*	**41,211**	46,123
	391,630	412,804

Notes:

(a) Balances as at 31 December 2023 included payables to an associate amounting to HK$6,395,000 (2022: HK$1,123,000) which arose from the trading transactions as disclosed in note 49(a). These balances are unsecured, interest-free and due for settlement pursuant to the payment terms of the respective orders.

(b) Balances as at 31 December 2023 and 2022 included a temporary receipt of HK$124,936,000 received from a third party in relation to a proposed disposal of equity interest in a subsidiary of the Company. The transaction is subject to further negotiation.

(c) Balances as at 31 December 2023 and 2022 included an amount of HK$25,680,000 received from a third party in relation to a proposed disposal of land parcels. Further details of the transaction are set out in note 48(c).

31. LEASE LIABILITIES

The Group as lessee

The Group has interests in leasehold land and buildings where the Group is the registered owner of the property interests. The Group also leases various properties including office properties, warehouse, staff dormitory and operating sites located in Taiwan and the PRC under tenancy agreements. For certain leases, the periodic rent is fixed over the lease term whereas for certain leases, rental is adjusted periodically at predetermined rate. In addition, certain leases include an option to renew the leases for an additional period after the end of the contract term. Leases of these properties are negotiated for periods ranging from two to six years (2022: two to six years).

In addition, in 2017, the Group entered into a retrofit agreement for the mechanical ventilation and air-conditioning ("MVAC") system of the Group's manufacturing plant located in the PRC. Under the agreement, the contractor is responsible for the retrofit work and maintenance of the MVAC system and in return, the contractor is entitled to monthly income for a period of about five years which is arrived at according to a pre-determined basis. The agreement constitutes a lease arrangement.

The following table shows the future lease payments in respect of leases of properties under tenancy agreements (note 15) and the retrofit work and maintenance of the MVAC system as at 31 December 2023 and 2022:

	Minimum lease payments		**Present value of minimum lease payments**	
	2023 **HK$'000**	2022 HK$'000	**2023** **HK$'000**	2022 HK$'000
Amounts payable:				
Not later than one year	**4,060**	4,153	**3,916**	3,960
Later than one year and not later than five years	**932**	2,950	**904**	2,880
	4,992	7,103	**4,820**	6,840
Future finance costs	**(172)**	(263)	**–**	–
Present value of lease liabilities	**4,820**	6,840	**4,820**	6,840

31. LEASE LIABILITIES *(Continued)*

The Group as lessee *(Continued)*

	2023 HK$'000	2022 HK$'000
Analysed into:		
Amounts payable in more than one year included in non-current liabilities	**904**	2,880
Amounts payable within one year included in current liabilities	**3,916**	3,960
	4,820	6,840

The movements of lease liabilities recognised by class of right-of-use assets during the year are as follows:

	Furniture and fixtures		Other properties leased for own used		Total	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
At 1 January	**418**	946	**6,422**	12,198	**6,840**	13,144
Effect of lease modification	**–**	–	**1,452**	(1,652)	**1,452**	(1,652)
Interest expense *(note 8)*	**–**	23	**184**	296	**184**	319
Lease payments	**–**	(468)	**(3,600)**	(3,539)	**(3,600)**	(4,007)
Translation adjustment	**(5)**	(83)	**(51)**	(881)	**(56)**	(964)
At 31 December	**413**	418	**4,407**	6,422	**4,820**	6,840

For the year ended 31 December 2023, the total cash outflows for the Group's lease arrangements including short-term lease amounted to HK$3,600,000 (2022: HK$4,803,000).

32. AMOUNTS DUE TO ASSOCIATES

The amounts due are unsecured, interest-free and repayable on demand.

33. AMOUNTS DUE FROM/TO RELATED PARTIES/DIRECTORS

The amounts due are unsecured, interest-free and repayable on demand.

34. BORROWINGS

	2023 HK$'000	2022 HK$'000
Current liabilities		
Bank borrowings	**257,003**	404,140
Other borrowings	**22,479**	63,484
	279,482	467,624
Non-current liabilities		
Bank borrowings	**316,609**	337,716
	596,091	805,340
Borrowings		
Secured *(note 45)*	**441,332**	622,557
Unsecured	**154,759**	182,783
	596,091	805,340

34. BORROWINGS *(Continued)*

The maturity of borrowings is as follows: *(note)*

	2023	2022
	HK$'000	HK$'000
Due within one year	**279,482**	416,180
Due after one year but within two years	**21,107**	72,552
Due after two years but within five years	**295,502**	316,608
	316,609	389,160
	596,091	805,340

Note: The maturity analysis is prepared based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Included in borrowings as at 31 December 2023 were several term loans with principal sum of HK$513,073,000 (2022: HK$642,250,000) in total and outstanding loan balance of HK$389,352,000 (2022: HK$461,713,000). Such term loans are repayable on demand by 11 to 19 quarterly instalments followed by final payments in years 2024 and 2027 (2022: years 2024 and 2027). The term loans are subject to the overriding right of the bank to demand repayment at any time at its own discretion which is exercisable only after the loan commitment periods. The current and non-current classification of these term loans is subject to when the loan commitment periods expire and whether the bank has unconditional right to demand repayment within 12 months from the end of the reporting period.

The carrying amounts of the borrowings are denominated in the following currencies:

	2023	2022
	HK$'000	HK$'000
HK$	**469,352**	471,823
US$	**111,833**	333,517
RMB	**14,906**	–
	596,091	805,340

Among the Group's bank borrowings as at 31 December 2023, HK$184,260,000 (2022: HK$280,144,000) were arranged at fixed annual interest rates of 3.96% – 6.86% (2022: 4.95% – 6.42%). The remaining balance of the Group's borrowings of HK$389,352,000 (2022: HK$461,712,000) were arranged at floating rates of 6.48% – 7.15% (2022: 5.59%– 6.38%) per annum.

The Group's other borrowings as at 31 December 2023 of HK$22,479,000 were arranged at floating rates of 6.69% per annum. Among the Group's other borrowings as at 31 December 2022, HK$37,485,000 were arranged at fixed annual interest rates of 1.00% and the remaining balance of HK$25,999,000 were arranged at floating rates of 5.60% per annum.

As at 31 December 2023, the Group's bank borrowings amounted to HK$573,612,000 (2022: HK$732,485,000) were secured by personal guarantee provided by the director, Mr. Yung Kwok Kee, Billy ("Mr. Yung").

35. LOAN FROM NON-CONTROLLING SHAREHOLDER

The loan as at 31 December 2022 was unsecured, interest-free and not repayable within 12 months from the end of the reporting period.

36. DEFERRED TAX

Details of the deferred tax liabilities and (assets) recognised and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation and impairment of property, plant and equipment HK$'000	Amortisation and impairment of intangible assets HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Tax losses and others HK$'000	Total HK$'000
At 1 January 2022	10,529	22,431	602,301	1,228	(9,332)	627,157
Translation adjustment	(715)	(1,776)	(49,586)	(115)	590	(51,602)
(Credited)/Charged to profit or loss *(note 10)*	(8,072)	(3,412)	(32,410)	427	5,672	(37,795)
Charged to other comprehensive income *(note 15(a))*	–	–	2,804	–	–	2,804
At 31 December 2022 and 1 January 2023	**1,742**	**17,243**	**523,109**	**1,540**	**(3,070)**	**540,564**
Translation adjustment	**(1)**	**(213)**	**(6,965)**	**(18)**	**(7)**	**(7,204)**
(Credited)/Charged to profit or loss *(note 10)*	**(4,831)**	**(4,350)**	**(21,013)**	**8**	**2,977**	**(27,209)**
Credited to other comprehensive income *(notes 15(a) and 20)*	**–**	**–**	**(2,760)**	**–**	**(282)**	**(3,042)**
At 31 December 2023	**(3,090)**	**12,680**	**492,371**	**1,530**	**(382)**	**503,109**

	2023 HK$'000	2022 HK$'000
Represented by:		
Deferred tax assets	**(2,758)**	(1,787)
Deferred tax liabilities	**505,867**	542,351
	503,109	540,564

As at 31 December 2023, the Group has unused tax losses of approximately HK$540,806,000 (2022: HK$512,184,000) available for offset against future profits. Deferred tax assets of HK$232,000 (2022: HK$174,000) have been recognised in respect of tax losses of HK$927,000 (2022: HK$696,000). No deferred tax assets have been recognised in respect of the remaining tax losses of HK$539,879,000 (2022: HK$511,488,000) due to the unpredictability of future profit streams.

The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in other regions of the PRC may be carried forward for five years from the financial year when the corresponding loss was incurred.

As at 31 December 2023, deferred tax liabilities of approximately HK$1,530,000 (2022: HK$1,540,000) have been recognised in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$30,583,000 (2022: HK$30,787,000). Deferred tax liabilities of approximately HK$3,412,000 (2022: HK$3,398,000) have not been established for withholding taxation that would be payable on the remaining unremitted earnings of the relevant PRC subsidiaries as at 31 December 2023, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$40,095,000 as at 31 December 2023 (2022: HK$39,319,000).

For the purposes of presentation of the financial statements, deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

37. SHARE CAPITAL

	2023		2022	
	Number of shares '000	**Nominal value**	Number of shares '000	Nominal value
Authorised				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**600,000**	**US$12,000**	600,000	US$12,000
Issued and fully paid				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**523,254**	**US$10,466**	523,254	US$10,466
Shown in the financial statements as		**HK$82,000**		HK$82,000

All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

38. RESERVES

The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Capital reserve

Capital reserve of the Group represents the capital contributions from the shareholders of the Company.

Financial assets at fair value through other comprehensive income reserve

Financial assets at fair value through other comprehensive income reserve comprises the cumulative net changes in the fair value of equity instruments designated at financial assets at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4.9(i).

Share option reserve

Share option reserve comprises the cumulative expenses recognised on granting of share options over the vesting period.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy in note 4.14.

Assets revaluation reserve

Assets revaluation reserve has been set up in accordance with the accounting policies in note 4,5.

Statutory reserve

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to retain appropriate certain percentages of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

38. RESERVES *(Continued)*

The Company

Details of the movements in the Company's reserve during the current and prior years are as follows:

	Dividend reserve HK$'000	Contributed surplus HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	2,616	896,524	9,719	700,569	1,609,428
Profit for the year	–	–	–	145,680	145,680
Other comprehensive income for the year	–	–	11,156	–	11,156
Reclassification of financial assets at fair value through other comprehensive income reserve to retained profits upon disposal	–	–	(9,795)	9,795	–
Dividend paid *(note 12(b))*	(2,616)	–	–	–	(2,616)
Proposed final dividend *(note 12(a))*	1,570	–	–	(1,570)	–
At 31 December 2022 and 1 January 2023	**1,570**	**896,524**	**11,080**	**854,474**	**1,763,648**
Profit for the year	**–**	**–**	**–**	**20,239**	**20,239**
Other comprehensive income for the year	**–**	**–**	**1,834**	**–**	**1,834**
Dividend paid *(note 12(b))*	**(1,570)**	**–**	**–**	**–**	**(1,570)**
At 31 December 2023	**–**	**896,524**	**12,914**	**874,713**	**1,784,151**

Contributed surplus

Contributed surplus of the Company represents the capital contributions from the shareholders of the Company.

39. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2023 was HK$35,432,000 (2022: HK$43,262,000), which is attributed to certain subsidiaries that are not 100% owned by the Group.

In the opinion of the directors, the non-controlling interests of SMC Electric is material for the year ended 31 December 2023 whereas the non-controlling interests of Shunde Hua Feng Stainless Steel Welded Tubes Ltd. ("Shunde Hua Feng") and SMC Electric are material for the year ended 31 December 2022.

Summarised financial information of SMC Electric Group, before intra-group eliminations, is presented below:

	2023	2022
	HK$'000	HK$'000
Year ended 31 December		
Revenue	**232,920**	254,489
Profit for the year	**20,773**	22,370
Total comprehensive income for the year	**20,541**	20,325
Profit for the year attributable to non-controlling interests	**5,193**	5,592
Total comprehensive income for the year attributable to non-controlling interests	**5,135**	5,081
Dividend paid to non-controlling interests	**(7,500)**	(11,500)
Cash flows from operating activities	**27,808**	48,852
Cash flows from/(used in) investing activities	**659**	(212)
Cash flows used in financing activities	**(35,508)**	(49,632)
Net cash outflow	**(7,041)**	(992)
As at 31 December		
Current assets	**172,428**	169,214
Non-current assets	**10,903**	13,138
Current liabilities	**(53,803)**	(43,496)
Non-current liabilities	**(267)**	(136)
	129,261	138,720
Accumulated non-controlling interests	**32,316**	34,680

39. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information of Shunde Hua Feng, before intra-group eliminations, is presented below:

	2022 HK$'000
Year ended 31 December	
Revenue	–
Loss for the year	(4,713)
Total comprehensive income for the year	(5,304)
Loss for the year attributable to non-controlling interests	(467)
Total comprehensive income for the year attributable to non-controlling interests	(525)
Dividend paid to non-controlling interests	–
Cash flows used in operating activities	(1)
Net cash outflow	(1)
As at 31 December	
Current assets	81,457
Current liabilities	(182)
Non-current liabilities	(77,571)
	3,704
Accumulated non-controlling interests	8,582

40. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**111,400**	119,500
Property, plant and equipment		**7,999**	9,200
Intangible assets		**11,840**	11,840
Interests in subsidiaries	54	**173,460**	173,460
Other assets		**80,288**	74,988
Financial assets at fair value through other comprehensive income		**72,763**	57,239
		457,750	446,227
Current assets			
Trade and other receivables, prepayment and deposits		**4,491**	6,252
Financial assets at fair value through profit or loss		**91,377**	105,844
Amounts due from subsidiaries		**2,200,238**	2,950,149
Cash and bank balances		**13,192**	13,187
		2,309,298	3,075,432
Current liabilities			
Other payables and accruals		**146,565**	161,837
Lease liabilities		**969**	922
Amounts due to subsidiaries		**236,066**	864,673
Amount due to a director		**29,807**	30,388
Borrowings		**248,704**	357,329
		662,111	1,415,149
Net current assets		**1,647,187**	1,660,283
Non-current liabilities			
Borrowings		**316,609**	337,716
Lease liabilities		**4,095**	5,064
		320,704	342,780
Net assets		**1,784,233**	1,763,730
CAPITAL AND RESERVES			
Share capital	37	**82**	82
Reserves	38	**1,784,151**	1,763,648
Total equity		**1,784,233**	1,763,730

On behalf of the directors

YUNG ISAAC COSMO	**LI PIK MUI, CINDY**
Director	*Director*

41. ACQUISITIONS

(a) Acquisition of assets

On 30 June 2023, the Group entered into a sale and purchase agreement with an independent third party to acquire a land and building through the acquisition of 100% equity interest in Guangzhou Tiantian at a cash consideration of approximately RMB45,000,000, equivalent to approximately HK$49,437,000.

Guangzhou Tiantian is a limited liability company established in the PRC and mainly holds a land and building in Guangzhou. The acquisition was completed in November 2023.

The Group accounted for the acquisition as an asset acquisition as the Group in substance acquired the land and building held by Guangzhou Tiantian. In the opinion of the directors, the assets acquired and the liabilities assumed in the acquisition did not meet the definition of a business. The cost of the acquisition was allocated to individual identifiable assets and liabilities on the basis of their relative fair values at the acquisition date. Details are summarised as below:

	2023
	HK$'000
Consideration	
Purchase price pursuant to the sales and purchase agreement	**49,437**

	2023
	HK$'000
Recognised amounts of identifiable assets acquired	
Investment properties	**40,099**
Property, plant and equipment	**9,338**
Total identified net assets at fair value	**49,437**

	2023
	HK$'000
Consideration	**49,437**
Less: Consideration remained unsettled as at 31 December 2023	**(4,944)**
Net outflow of cash and cash equivalents included in investing activities	**44,493**

(b) Acquisition of remaining equity interest in a subsidiary

On 5 November 2021, Lotus Atlantic, the then immediate holding company of PFC Device Inc. and being the offeror, requested the board of directors of PFC Device Inc. to put forward to other shareholders of PFC Device Inc. (the "Scheme Shareholders") for the proposed privatisation of PFC Device Inc. by way of a scheme of arrangement under the Companies Act of the Cayman Islands involving the cancellation of shares held by the Scheme Shareholders (the "Scheme Shares") and, in consideration of the cancellation of Scheme Shares, the payment to the Scheme Shareholders at the price of HK$1.40 for every Scheme Share, which will be payable by Lotus Atlantic to Scheme Shareholders in cash. The total consideration payable for the cancellation of the Scheme Shares amounted to HK$50,746,000 (the "Scheme"); and the withdrawal of the listing of the shares of PFC Device Inc. on GEM of the Stock Exchange. Details of the Scheme are set out in the circular jointly published by PFC Device Inc. and Lotus Atlantic on 21 January 2022.

All of the conditions as set out in the Scheme were fulfilled and the Scheme became effective on 23 March 2022. The listing of the shares of PFC Device Inc. on GEM of the Stock Exchange was withdrawn on 25 March 2022.

Upon completion of the Scheme, the Group's equity interest in PFC Device Inc. has increased from 70.13% to 100% and PFC Device Inc. become a wholly-owned subsidiary of the Company.

	2022
	HK$'000
Consideration paid by Lotus Atlantic for the acquisition of remaining equity interest in PFC Device Inc. under the Scheme	50,746
Increase in the Group's share of the net assets of PFC Group	(67,595)
Increase in equity attributable to owners of the Company	(16,849)

41. ACQUISITIONS *(Continued)*

(b) Acquisition of remaining equity interest in a subsidiary *(Continued)*

There was no change in control in PFC Device Inc. and acquisition of remaining equity interest in PFC Device Inc. was accounted for as equity transaction.

	2022 HK$'000
Consideration paid by the Group under the Scheme in 2022	50,746
Less: Consideration remain unsettled as at 31 December 2022	(1,683)
Net outflow of cash and cash equivalents in respect of the acquisition of remaining equity interest in PFC Device Inc.	49,063

The outstanding consideration was fully settled by Lotus Atlantic in the current year.

42. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2023, in preparation for the deregistration of an inactive subsidiary, namely SMC Multi-Media Products Company Limited ("Multi-Media"), which is incorporated in the British Virgin Islands, the Group wrote back the long-outstanding payables and provision of Multi-Media and a gain of HK$61,443,000 arose therefrom.

In addition, two subsidiaries, namely Shunde Hua Feng, established in the PRC, and Netlink Assets Limited ("Netlink"), incorporated in the British Virgin Islands, were deregistered. The gain on deregistration of these subsidiaries is calculated as follows:

	2023 **HK$'000**
Non-controlling interests of Shunde Hua Feng	**8,450**
Release of transaction reserve upon deregistration of Shunde Hua Feng and Netlink, net	**(1,479)**
	6,971
Write-back of loan from non-controlling shareholder of Shunde Hua Feng	**7,617**
Gain on deregistration	**14,588**
Total gain on disposal of subsidiaries#	**76,031**

\# Included in "Other gains or losses – Gain on disposal of subsidiaries" in the consolidated income statement

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities is as follows:

	Borrowings HK$'000 *(note 34)*	Lease liabilities HK$'000 *(note 31)*	Amount due to a director HK$'000 *(note 33)*	Loan from non-controlling shareholder HK$'000 *(note 35)*
At 1 January 2022	1,047,176	13,144	91,962	7,906
Changes from cash flows				
Proceeds of new borrowings	678,080	–	–	–
Repayment of borrowings	(920,528)	–	–	–
Repayment of advances	–	–	(70,527)	–
Payment of capital element of lease liabilities	–	(3,688)	–	–
Payment of interest element of lease liabilities	–	(319)	–	–
Other borrowing costs paid	(25,918)	–	–	–
Total changes from financing cash flows	(268,366)	(4,007)	(70,527)	–
Exchange adjustment	612	(964)	–	(226)
Other changes				
Interest expenses	25,918	319	–	–
Effect of lease modification	–	(1,652)	–	–
Service fee to a director *(note 49(a))*	–	–	8,953	–
	25,918	(1,333)	8,953	–
At 31 December 2022 and 1 January 2023	**805,340**	**6,840**	**30,388**	**7,680**
Changes from cash flows				
Proceeds of new borrowings	**380,711**	**–**	**–**	**–**
Repayment of borrowings	**(591,176)**	**–**	**–**	**–**
Repayment of advances	**–**	**–**	**(8,954)**	**–**
Payment of capital element of lease liabilities	**–**	**(3,416)**	**–**	**–**
Payment of interest element of lease liabilities	**–**	**(184)**	**–**	**–**
Other borrowing costs paid	**(43,383)**	**–**	**–**	**–**
Total changes from financing cash flows	**(253,848)**	**(3,600)**	**(8,954)**	**–**
Exchange adjustment	**1,216**	**(56)**	**–**	**(63)**
Other changes				
Interest expenses	**43,383**	**184**	**–**	**–**
Effect of lease modification	**–**	**1,452**	**–**	**–**
Service fee to a director *(note 49(a))*	**–**	**–**	**8,373**	**–**
Write-back of loan from non-controlling shareholder *(note 42)*	**–**	**–**	**–**	**(7,617)**
	43,383	**1,636**	**8,373**	**(7,617)**
At 31 December 2023	**596,091**	**4,820**	**29,807**	**–**

44. RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. In additions, employer voluntary contributions are made for eligible employees following the Group's policy, as a part of the employee benefits program. The Group has no further payment obligations once the contributions have been paid. Contributions to the MPF Scheme are recognised as an expense in profit or loss when the services are rendered by the employees.

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute a specified percentage of their payroll costs to the central pension scheme to fund the benefits. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's obligations under these plans are limited to the fixed percentage contribution payable.

The total expenses recognised in profit or loss of HK$8,562,000 (2022: HK$9,196,000) represent contributions paid/payable to these schemes by the Group in the current year.

45. PLEDGE OF ASSETS

Other than the negative pledges disclosed in notes 14 and 15, the Group has pledged the following assets and assigned rental income from leasing of its investment properties to secure for the general banking and other loan facilities granted to the Group:

	2023 **HK$'000**	2022 HK$'000
Investment properties	**1,503,313**	1,558,613
Property, plant and equipment	**12,312**	13,165
Financial assets at fair value through profit or loss	**91,378**	190,096
Financial assets at fair value through other comprehensive income	**20,000**	212,140
Bank balances	**–**	153
	1,627,003	1,974,167

The issued share capital of one subsidiary (2022: one subsidiary) held by the Company was pledged to a bank to secure for the available banking facilities granted to the Group. The aggregate net asset value of the subsidiary as at 31 December 2023 was approximately HK$1,359 million (2022: HK$1,353 million).

46. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging from one year to ten years (2022: one year to eight years). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments receivable as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**71,409**	71,898
After one year but within two years	**47,516**	47,829
After two years but within three years	**28,948**	28,759
After three years but within four years	**18,074**	15,110
After four years but within five years	**14,608**	12,498
Over five years	**12,018**	10,950
	192,573	187,044

47. OTHER COMMITMENTS

At the end of the reporting period, the Group had other significant commitments as follows:

	2023	2022
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	**46,388**	40,974
Property development	**35,160**	12,022
Investment in equity securities	**360,652**	433,445

48. CONTINGENT LIABILITIES

(a) A lawsuit brought by a claimant (the "Claimant") in 2014 alleging that the registration of the legal titles of the GZ Property passed to the Group pursuant to the Master Agreement as mentioned in note 28(a) being illegal and requesting the PRC land bureau to revoke the certificates of the GZ Property issued by it to the Group. The lawsuit was finalised in 2023 and pursuant to the final judgment of the court, the transfer and the registration of the titles of the GZ Property are proper and the Group has legal titles and all relevant rights over the GZ Property. Another lawsuit was brought by the Claimant alleging the Group, the Vendor and the Mortgaged Bank as defined in note 28(a) colluded in bad faith, thereby harming its interests in respect of the sales and purchase agreement entered into by the Mortgage Bank and Claimant in 2007 and requesting the court to void the Master Agreement. The court also ruled during the last year that the Claimant's allegations were not justified, and that the ruling was final. On the other hand, the Group has brought an lawsuit against the tenants of the GZ property, including the Claimant, requesting them to vacate the GZ property and to compensate for losses suffered by the Group including rentals and interests. The lawsuit brought by the Group is still in progress as at the date of these financial statements. Having regard to the latest development of the cases, the directors are of the opinion that the pending lawsuit would not result in significant financial impact on the Group.

(b) The Group has undertaken to bear the legal and professional fees as well as any economic obligation exposed by the Mortgage Bank arising from the lawsuit initiated by the Claimant as mentioned in note (a) above. Deposits amounting to RMB21,400,000 (equivalent to HK$23,630,000) as at 31 December 2023 (2022: RMB20,974,000 equivalent to HK$23,480,000) have been placed by the Group in the bank account designated by the Mortgage Bank to secure for the undertaking. Based on the advice from the PRC legal counsel, the Group is entitled to request the Mortgage Bank to refund the deposits. The directors are of the opinion that such undertaking would not result in significant financial impact to the Group.

(c) During the year ended 31 December 2015, the Group entered into sale and purchase agreement with an independent third party to dispose of certain land parcels in Hong Kong which had been held by the Group for property development. The consideration for the disposal of those land parcels amounted to HK$26,600,000. However, the directors had come to know that there might have potential legality issue in respect of the titles of those land parcels which may therefore render the sale and purchase agreement ineffective. As assessed by the directors, it was uncertain as to when the legality issue of those land titles can be addressed. Accordingly, the Group had written down the net carrying amount of the concerned land parcels during the year ended 31 December 2015 which amounted to HK$17,417,000 and recorded the consideration paid by the buyer as deposit received under "Trade and other payables". Consideration paid by the buyer amounted to HK$25,680,000 as at 31 December 2023 (2022: HK$25,680,000). Based on the current assessment of the directors, it is still uncertain as to when potential legality issue of the land parcels can be addressed, which is subject to latest development of government policies and related legislation. As assessed by the directors, claims, if any, arising from this potential land legality issue would not result in material effect to the financial statements to the Group.

(d) In 2019, a claim was lodged against the Group by a contractor (the "Contractor") in respect of the dispute arising from the early termination and settlement of an engineering contract of the Group's property project in Hong Kong and the Group has initiated a counterclaim against the Contractor for the advances paid by the Group on behalf of the Contractor together with damages suffered by the Group. The Group and the Contractor agreed to resolve the dispute by arbitration. Based on the negotiation with the Contractor, the Group agreed to pay the claimant a sum of HK$7,200,000 as settlement of the dispute. The Group accrued the settlement fee in 2023, which was included in "Trade payables" as at 31 December 2023. The arbitration procedure was completed in January 2024 and the Group settled the sum in February 2024.

49. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties including key management personnel are disclosed below.

(a) Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	2023	2022
	HK$'000	HK$'000
Service fee paid to a director *(note)*	**8,373**	8,953
Raw materials and goods purchased from an associate	**31,035**	30,760
Sales of properties to a director and related parties	**–**	33,190
Management fee income charged to directors and related parties	**445**	443

Note:

Service fee was paid to Mr. Yung, director of the Company, for providing personal guarantee to banks in respect of the banking facilities granted to the Group, which is charged at the rate of 0.8% (2022: 0.5%) on the amount of facilities granted.

(b) The remuneration of members of key management were as follows:

	2023	2022
	HK$'000	HK$'000
Salaries, allowance and other benefits	**33,028**	30,924
Contributions to defined contribution retirement plan	**1,060**	1,215
	34,088	32,139

50. EVENTS AFTER THE REPORTING PERIOD

On 11 May 2024, a fire accident took place at the factory situated in Shunde, the PRC and operated by Guangdong PFC Device Limited, a wholly-owned subsidiary of the Company. As a result of the fire accident, certain machineries in the factory have been damaged. The Group is assessing the extent of damage and the impact on the construction process of the wafer fabrication manufacturing facilities.

The Group is currently working with the insurance company to ascertain the damages as a result of the fire accident and the potential claim. The actual losses to be reflected in the Group's financial statements for the year ending 31 December 2024 will depend on the amount which the Group is able to recover from the insurance company.

The directors are of the opinion that this would not have material impact of the Group's consolidated financial statements.

51. CAPITAL MANAGEMENT

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

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and bank balances and restricted bank deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31 December 2023 and 2022 were as follows:

	2023	2022
	HK$'000	HK$'000
Debts	**596,091**	805,340
Less: cash and bank balances and restricted bank deposits	**(422,302)**	(607,859)
Net debts	**173,789**	197,481
Capital represented by total equity	**3,935,394**	3,986,228
Gearing ratio	**4.4%**	5.0%

The Group targets to maintain a gearing ratio of not higher than 50% which is in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

52.1Categories of financial instruments

	2023	2022
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**194,616**	229,784
Financial assets at fair value through other comprehensive income	**823,957**	793,903
Financial assets measured at amortised cost#	**686,788**	932,957
Financial liabilities		
Financial liabilities at amortised cost^	**972,180**	1,193,159
Other financial instruments – Lease liabilities	**4,820**	6,840

\# including trade receivables, loans receivable, finance lease receivables, other receivables, amounts due from directors and related parties, and bank balances including restricted bank deposits.

^ including trade payables, other payables and accruals, refundable deposits received, amounts due to associates, a director and a related party, borrowings and loan from non-controlling shareholder.

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

52.2Financial results by financial instruments

	2023 **HK$'000**	2022 HK$'000
Fair value gain/(loss) on:		
Financial assets at fair value through profit or loss	**(22,736)**	(65,781)
Financial liabilities at fair value through profit or loss	**–**	3,410
Decrease in fair value of:		
Financial assets at fair value through other comprehensive income	**75,565**	64,638
Interest income/(expenses) on:		
Financial assets at amortised cost	**7,874**	12,893
Financial assets at fair value through profit or loss	**616**	425
Financial liabilities at amortised cost	**(43,383)**	(25,918)
Other financial instruments – Lease liabilities	**(184)**	(319)
Dividend income from:		
Financial assets at fair value through profit or loss	**4,594**	4,516
Financial assets at fair value through other comprehensive income	**38,390**	38,563
Impairment loss, net on:		
Financial assets at amortised cost	**992**	820

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY
(Continued)

52.3Fair value of financial instruments

(a) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2023 and 2022 across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The levels are defined as follows:

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
Level 2	fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 December 2023				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity securities	**160,826**	**–**	**–**	**160,826**
– Unlisted equity securities	**–**	**–**	**663,131**	**663,131**
Financial assets at fair value through profit or loss				
– Listed equity securities	**169,476**	**–**	**–**	**169,476**
– Listed bond	**418**	**–**	**–**	**418**
– Equity-linked notes	**–**	**24,722**	**–**	**24,722**
As at 31 December 2022				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity securities	212,140	–	–	212,140
– Unlisted equity securities	–	–	581,763	581,763
Financial assets at fair value through profit or loss				
– Listed equity securities	202,826	–	–	202,826
– Listed bond	1,700	–	–	1,700
– Equity-linked notes	–	25,258	–	25,258

52. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

52.3 Fair value of financial instruments *(Continued)*

(a) Financial instruments measured at fair value *(Continued)*

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (i.e. Level 3), being unlisted equity securities, are as follows:

	2023	2022
	HK$'000	HK$'000
Unlisted equity securities		
At 1 January	**581,763**	414,791
Translation adjustment	**(401)**	–
Transfer into Level 3	**–**	14,080
Purchases	**106,019**	187,031
Change in fair value	**(24,250)**	(34,139)
At 31 December	**663,131**	581,763

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. Transfers into Level 3 are generally the result of decreases in market trading activity causing less transparency in prices of the investments. Transfers out of Level 3 are generally the result of increases in market trading activity, including investment dispositions, causing more transparency in prices of the investments.

During the years ended 31 December 2023 and 2022, there was no transfer between instruments in Level 1 and Level 2.

The fair values of listed equity and debt securities as at 31 December 2023 and 2022 were determined by directors based on quoted market prices available on the relevant stock exchanges.

The fair values of unlisted equity as well as derivatives as at 31 December 2023 and 2022 was estimated by management with reference to quotations provided by the brokers.

(b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include loans receivable, finance lease receivables, trade receivables, other receivables, bank balances including restricted bank deposits, trade payables, other payables and accruals, amounts due from/to associates, directors and other related parties, loan from non-controlling shareholder and borrowings.

Due to their short-term nature, the carrying values of trade receivables, other receivables, bank balances including restricted bank deposits, trade payables, other payables and accruals and amounts due from/to associates, directors and other related parties approximated their fair values.

For disclosure purpose, the fair values of loans receivable, finance lease receivables, loan from non-controlling shareholder and borrowings were not materially different from their carrying values at the year end dates. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include expected future cash flows and discount rates used to reflect the credit risks of the group entities and the counterparties, where appropriate.

53. FINANCIAL RISK MANAGEMENT

53.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

53.2 Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$, US$ and RMB with certain of their business transactions being settled in US$ and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continues to conduct its sales mainly in US$ and RMB and make payments either in US$, HK$ and RMB. In addition, the Group's borrowings were denominated in HK$ and US$. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remain minimal.

The overall exposure in respect of the carrying amounts of the Group's foreign currency denominated financial assets and liabilities in net position as at 31 December 2023 and 2022 were as follows:

	2023	2022
	HK$'000	HK$'000
Net financial assets		
HK$	**279,095**	247,130
US$	**726,418**	530,037
RMB	**1,004,164**	1,039,501

As HK$ is pegged to US$, the Group does not have material exchange risk exposure on such currencies. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the HK$ on the Group's net asset position denominated in RMB as at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	Decrease/(Increase) in loss for the year and increase/(decrease) in retained profits
	2023	2022
	HK$'000	HK$'000
RMB against HK$		
– strengthen by 5% (2022: 5%)	**41,924**	43,399
– weaken by 5% (2022: 5%)	**(41,924)**	(43,399)

The changes in the exchange rates do not affect the Group's other components of equity.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.2 Market risk *(Continued)*

(ii) Price risk

The Group is mainly exposed to price risk arising from its investments in debt and equity securities and derivatives which are classified as financial assets at fair value through profit or loss (note 27) and financial assets at fair value through other comprehensive income (note 20) as price of those investments in future are uncertain.

The Group's investments in listed equity securities are traded mainly on the Stock Exchange, the New York Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange. The Group also invested in unlisted equity securities and unlisted investment funds for strategic purposes. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary.

The Group also holds certain investments in debt securities and derivatives which are also subject to price risk.

The Group's exposure to price risk for debt securities include changes in the credit spreads and market interest rates. No sensitivity analysis on price risk arising from investments in debt securities relating to credit spreads of debt securities has been presented as the amount of investment was not significant as at 31 December 2023 and 2022.

Derivative financial instruments mainly include equity-linked notes. Equity-linked notes are linked to the performance of the underlying shares and thus the Group is subject to the risk of price fluctuations of the underlying shares. When the price of the underlying shares is moving in an unfavorable direction to below the predetermined price, the equity-linked notes are converted into the equity securities of the underlying shares. The directors manage the exposure by closely monitoring the portfolio of derivative financial instruments and maintain it at a reasonable level to the total investments. The directors maintain an investment portfolio which mix a variety of investments to optimise investment return to the Group.

Management's best estimate of the effect on the Group's results in respect of those listed and unlisted equity securities due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the end of the reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits 2023 HK$'000	Decrease/(Increase) in loss for the year and increase/(decrease) in retained profits 2022 HK$'000
Listed equity securities classified as financial assets at fair value through profit or loss		
Listed in Hong Kong – Hang Seng Index		
+ 21% (2022: + 31%)	**23,520**	42,089
– 21% (2022: – 31%)	**(23,520)**	(42,089)
Listed in New York Stock Exchange – NASDAQ Composite Index		
+ 10% (2022: + 25%)	**157**	420
– 10% (2022: – 25%)	**(157)**	(420)
Listed in stock exchange in the PRC		
+ 13% (2022: + 16%)	**3,263**	4,576
– 13% (2022: – 16%)	**(3,263)**	(4,576)

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.2 Market risk *(Continued)*

(ii) Price risk *(Continued)*

	Increase/(Decrease) in other comprehensive income and financial assets at fair value through other comprehensive income reserve	
	2023	2022
	HK$'000	HK$'000
Listed equity securities classified as financial assets at fair value through other comprehensive income		
Listed in Hong Kong – Hang Seng Index		
+ 21% (2022: + 31%)	**33,773**	66,200
– 21% (2022: – 31%)	**(33,773)**	(66,200)
Unlisted equity securities classified as financial assets at fair value through other comprehensive income		
In USA		
+ 10% (2022: + 25%)	**61,646**	143,027
– 10% (2022: – 25%)	**(61,646)**	(143,027)
In PRC		
+ 13% (2022: + 16%)	**4,551**	4,304
– 13% (2022: – 16%)	**(4,551)**	(4,304)

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent equity price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2023, approximately 69% (2022: 61%) of the borrowings bore interest at floating rates. The interest rates and repayment terms of the borrowings outstanding at the end of reporting period are disclosed in note 34.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure on bank deposits and borrowings to fair value interest rate risk is not significant as interest-bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

In addition, lease liabilities which are fixed rate instruments are insensitive to changes in interest rates and a change in interest rate at the end of the reporting period would not affect the Group's profit or loss.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.2 Market risk *(Continued)*

(iii) Interest rate risk *(Continued)*

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits 2023 HK$'000	Decrease/(Increase) in loss for the year and increase/(decrease) in retained profits 2022 HK$'000
Change in basis point ("bp")		
+ 50 bp (2022: + 50bp)	**(1,719)**	(2,036)
– 10 bp (2022: – 10bp)	**344**	407

The change in interest rates do not affect the Group's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowings outstanding at the end of the reporting period would be outstanding in the next financial year.

53.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The maximum exposure to credit risk in respect of the Group's financial assets at the end of the reporting period is their carrying amounts.

Management has credit policies in place and the exposures to credit risk are monitored on an on-going basis.

In respect of trade receivables and lease receivables, the Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal with creditworthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management assesses the collectability of the receivables regularly for the determination of any loss allowance for the receivables by taking into account the customers' or debtors' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

As at 31 December 2023, the Group had certain concentration of credit risk as 23% (2022: 26%) of the Group's trade receivables was due from the Group's largest customer (in terms of revenue) within the business segment of electrical appliances.

In respect of bank balances and restricted bank deposits, the Group's exposure to credit risk is limited because majority of the deposits are placed with reputable banks or financial institutions, for which the Group considers to have low credit risk. There was no history of default in relation to these financial institutions.

In respect of loans receivable, in granting loans to the borrowers, management assesses the background and financial condition of the borrowers and in certain circumstances, may request collateral from the borrowers in order to minimise credit risk.

For other receivables, the Group regularly monitors the financial position of the counterparties to assess the recoverability of the outstanding balances.

As to investment strategies, a significant portion of the investments are liquid securities quoted on recognised stock exchange. As to investments in unlisted securities, investment is made after credit assessment by investment team and those investments are mainly made through reputable investment banks. Accordingly, the directors consider that the Group's exposure to credit risk in respect of its investments in securities is low.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.3 Credit risk *(Continued)*

The credit and investment policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Impairment under ECL model

The Group measures loss allowance for trade receivables and lease receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure. The ECL also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle these receivables. For other financial assets measured at amortised cost, the Group measures loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

For those individually significant receivables or receivables relating to customers or debtors with known financial difficulties or significant doubt on collection of receivables, they are assessed individually for loss allowance. For other receivables, they have been grouped based on shared credit risk characteristics and the days past due.

The Group assesses whether there has been a significant increase in credit risk for exposure since initial recognition on an ongoing basis throughout the year. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on receivables over the expected life between the reporting date and the date of initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their debt obligations;

– actual or expected significant changes in the operating results of the customers;

– significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group; and

– actual or expected significant adverse change in the regulatory, economic, or technological environment in which the customer operate that results in a significant change in the customers' ability to meet their debt obligations.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.3 Credit risk *(Continued)*

Impairment under ECL model *(Continued)*

The Group assesses whether a financial asset is credit-impaired at the end of the reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as default or past due event;

– restructuring of the debt by the Group on terms that the Group would not consider otherwise; or

– it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation.

Set out below is the information about the Group's exposure on the Group's trade receivables at the end of the reporting period:

Electrical appliances business

As at 31 December 2023, the gross carrying amount of trade receivables of this business segment was HK$157,792,000 (2022: HK$188,004,000), of which trade receivables amounting to HK$62,659,000 (2022: HK$47,822,000) are subject to collective assessment for credit losses using provision matrix in the following table and ECL allowance of HK$307,000 (2022: HK$371,000) was made. ECL rates are based on actual loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the balances. The Group determines the ECL rate for these trade receivables as follows:

	ECL rate		**Net carrying amount of collectively assessed trade receivables**	
	2023	2022	**2023**	2022
			HK$'000	HK$'000
Not yet past due	**0.31%**	0.49%	**55,113**	35,427
Past due				
30 days or below	**1.55%**	1.47%	**5,201**	11,230
31–60 days	**2.56%**	2.47%	**1,747**	429
61–90 days	**3.56%**	N/A	**285**	–
91–180 days	**4.56%**	4.47%	**6**	365
			62,352	47,451

The remaining balance of trade receivables of this segment amounted to HK$95,133,000 (2022: HK$140,182,000) were assessed for credit loss on individual basis, of which loss allowance amounting to HK$1,740,000 (2022: HK$5,808,000) was made for trade receivables of HK$1,740,000 (2022: HK$5,808,000) on individual basis whereas the remaining trade receivables of HK$93,393,000 (2022: HK$134,374,000) were assessed for credit loss on collective basis for which the ECL rate is assessed to be minimal and ECL allowance was not made.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.3 Credit risk *(Continued)*

Other businesses

In respect of other business segments, including power discrete semiconductors, property leasing, real estate investment and development, taxi rental and other segments, the gross carrying amount of trade receivables as at 31 December 2023 was HK$27,646,000 (2022: HK$28,244,000). Out of this sum, trade receivables of HK$11,140,000 (2022: HK$14,275,000) were assessed for credit loss on individual basis and loss allowance of HK$7,976,000 (2022: HK$7,383,000) was provided for in current year. The remaining balance of HK$16,506,000 (2022: HK$13,969,000) were assessed for credit loss on collective basis for which the ECL in respect of these balances were considered minimal and ECL allowance was not made.

Set out below is the information about the Group's exposure on the Group's finance lease receivables as at 31 December 2023:

	Balances individually assessed for loss allowance		**Balances subject to collective assessment for credit losses**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gross carrying amount of finance lease receivables	**50**	141	**–**	345	**50**	486
ECL rate	**N/A**	N/A	**N/A**	8.51%		
Loss allowance	**–**	–	**–**	29	**–**	29

ECL rates are based on actual loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the balances.

For loans receivable and other receivables, the Group regularly monitor the financial positions of the counterparties to assess the recoverability of the outstanding balances. As at 31 December 2023, no loss allowance has been provided for both loans receivable and other receivables whereas as at 31 December 2022, no loss allowance was provided for loans receivable and loss allowance of HK$47,000 was provided for other receivables. Other than that, management does not expect any losses from non-performance by the counterparties. The management assessed that there has been no significant increase in credit risk and the ECL in respect of the loans receivable and the other receivables was immaterial.

The management assessed that there has been no significant increase in credit risk and the movements in the loss allowance account in respect of trade receivables, finance lease receivables and other receivables during the year ended 31 December 2023 are set out in note 26(b), 23 and 26(c) respectively. The changes in loss allowances during the year is mainly due to changes in risk parameters.

53.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group is also exposed to liquidity risk with regard to certain of the Group's investments including equity-linked notes (note 27) which are not traded on Stock Exchange thus the disposal of those investments may require higher exit costs. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

53. FINANCIAL RISK MANAGEMENT *(Continued)*

53.4 Liquidity risk *(Continued)*

The table below analyses the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2023						
Non-derivative financial liabilities						
Interest-bearing borrowings *(note)*	**302,947**	**321,758**	**–**	**–**	**624,705**	**596,091**
Trade payables	**88,668**	**–**	**–**	**–**	**88,668**	**88,668**
Other payables and accruals	**257,197**	**–**	**–**	**–**	**257,197**	**257,197**
Amounts due to associates	**126**	**–**	**–**	**–**	**126**	**126**
Amount due to a related party	**291**	**–**	**–**	**–**	**291**	**291**
Amount due to a director	**29,807**	**–**	**–**	**–**	**29,807**	**29,807**
	679,036	**321,758**	**–**	**–**	**1,000,794**	**972,180**
Lease liabilities	**4,060**	**932**	**–**	**–**	**4,992**	**4,820**
	683,096	**322,690**	**–**	**–**	**1,005,786**	**977,000**
As at 31 December 2022						
Non-derivative financial liabilities						
Interest-bearing borrowings *(note)*	491,130	342,317	–	–	833,447	805,340
Trade payables	103,347	–	–	–	103,347	103,347
Other payables and accruals	245,987	–	–	–	245,987	245,987
Amounts due to associates	126	–	–	–	126	126
Amount due to a related party	291	–	–	–	291	291
Amount due to a director	30,388	–	–	–	30,388	30,388
Loan from non-controlling shareholder	–	–	–	7,680	7,680	7,680
	871,269	342,317	–	7,680	1,221,266	1,193,159
Lease liabilities	4,153	2,791	159	–	7,103	6,840
	875,422	345,108	159	7,680	1,228,369	1,199,999

Note:

For certain term loans which contain repayment on demand clause which can be exercised at the lender's sole discretion including loans which repayment on demand clause is exercisable after year end, the analysis above shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table summarises the maturity analysis of borrowings based on agreed scheduled repayments set out in the loan agreements. The amount include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks or financial institutions will exercise their discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Borrowings					
31 December 2023	**305,854**	**43,245**	**335,123**	**684,222**	**596,091**
31 December 2022	444,034	95,379	371,660	911,073	805,340

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries as at 31 December 2023 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
China Dynasty Development Ltd	British Virgin Islands/ PRC	Ordinary	1,000 shares of US$1 each	–	100%	Property leasing
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$2	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands/ PRC	Ordinary	1 share of US$1	–	100%	Property holding
Fortress Link Investment Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property holding
Foshan Shunde SMC Multi-Media Products Company Limited** 佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$6,500,000 (2022: US$20,870,000)	–	100%	Manufacturing and trading of electrical appliances
Guangdong PFC Device Limited	PRC^	Paid up capital	US$13,000,000	–	100%	Manufacturing and sales of power discrete semiconductors
Guangzhou Hui Liang Property Management Limited** 廣州匯朗物業管理有限公司	PRC#	Paid up capital	RMB101,000,000	–	100%	Property holding
Guangzhou SMC Car Rental Company Limited 廣州蜆富出租汽車有限公司	PRC^	Paid up capital	HK$75,000,000	–	100%	Taxi operations
Guangzhou Sien Fu Car Leasing Limited** 廣州蜆富汽車租賃有限公司	PRC#	Paid up capital	RMB2,500,000	–	100%	Vehicle rental
Guangzhou Desheng Auto Repair Service Co. Limited** 廣州市德升汽車維修服務有限公司	PRC#	Paid up capital	RMB1,000,000	–	100%	Vehicle repair service
Guangzhou Xian Di Property Management Limited** 廣州蜆地物業管理有限公司	PRC^	Paid up capital	HK$1,000,000	–	100%	Property rental agency
PFC Device Corporation	British Virgin Islands/ Taiwan	Preferred	4,956,153 shares of US$5,522,820	–	100%	Research and development and sales of power discrete semiconductors
		Common	105,000 shares of US$105,000			
PFC Device Holdings Limited	British Virgin Islands/ Hong Kong	Preferred	12,656,153 shares of US$13,222,820	–	100%	Investment and trademark holding
		Common	658,255 shares of US$658,255			
PFC Device (HK) Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding and sales of power discrete semiconductors
PFC Device Inc.	Cayman Islands/ Hong Kong	Ordinary	121,352,419 shares of HK$0.20 each	100%	–	Investment holding and sales of power discrete semiconductors

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The particulars of the principal subsidiaries as at 31 December 2023 are as follows: (*Continued*)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Quanta Global Limited	British Virgin Islands/ Hong Kong	Ordinary	1 share of US$1	–	75%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	British Virgin Islands/ Hong Kong	Ordinary	100 shares of US$10 each	–	75%	Trading of electric fans
Silvergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property holding
SMC Electric Limited	Cayman Islands/ Hong Kong	Ordinary	1 share of HK$0.01	75%	–	Investment holding
SMC Electric Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	1 share of US$1	–	75%	Investment holding
SMC Electric (HK) Limited	Hong Kong	Ordinary	1 share of HK$1	–	75%	Trading of electric fans and electric tools
SMC Electric (China) Limited** 廣東蜆壳家電有限公司	PRC^	Paid up capital	US$999,958.50	–	75%	Manufacturing and trading of electric tools
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$2	–	100%	Property holding
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$2	–	100%	Investment holding
SMC Multi-Media Trading Company Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Contract manufacturing
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$2	100%	–	Investment holding and property holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$2	–	75%	Trading of electric fans
Sunny Resource Limited	Hong Kong	Ordinary	1 share of HK$1	100%	–	Intangible assets holding
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Appeon Limited	Hong Kong	Class A Voting Class B Non-voting	US$449,164 US$1,002,003	–	100%	Investment holding
SMC Investment Vietnam Company Limited	Vietnam	Paid up capital	VND95,000,000,000	–	90%	Property holding
Guangzhou Tiantian Friendship Food Limited** 廣州天天友誼食品有限公司	PRC##	Paid up capital	RMB2,651,554	–	100%	Property holding

^ The companies are incorporated in the PRC as wholly-owned foreign enterprises.

The companies are incorporated in the PRC as limited liability companies.

The company is incorporated in the PRC as sino-foreign cooperative enterprise.

** The English translation of the company name is for reference only. The official names of these companies are in Chinese

None of the subsidiaries had any debt securities outstanding as at 31 December 2023 and 2022.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

55. PARTICULARS OF PRINCIPAL ASSOCIATES

The particulars of the associates as at 31 December 2023 are as follows:

Name of associates	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	HK$10,000,000	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Limited** 熊谷蜆壳發展(廣州)有限公司	PRC^	Paid up capital	RMB103,000,000 (2022: RMB203,000,000)	–	20%	Property leasing
Guangdong Sien Hua Electrical Appliance Manufacturing Company Limited** 廣東蜆華電器製造有限公司	PRC##	Paid up capital	US$3,250,000	–	28.92%	Manufacturing of electric fans, electric cables and lamps
Appeon Inc.	USA	Paid up capital	US$200,000	–	24.57%	Sales of software licence
艾普陽科技(深圳)有限公司	PRC##	Paid up capital	US$1,529,668	–	24.57%	Software development and licencing

^ The company is incorporated in the PRC as wholly-owned foreign enterprise.

The company is incorporated in the PRC as sino-foreign cooperative enterprise.

** The English translation of the company name is for reference only. The official names of these companies are in Chinese.