KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2023

(Stock Code : 180)

Contents

Corporate Information

BOARD OF DIRECTORS
Executive Directors:
Mr. Kenneth Ting Woo-shou, *SBS, JP (Chairman and Managing Director)*
Mrs. Nancy Ting Wang Wan-sun
Mr. Ivan Ting Tien-li
Mr. Lao Wai-keung

Non-executive Director:
Mr. Bernie Ting Wai-cheung

Independent Non-executive Directors:
Mr. Floyd Chan Tsoi-yin
Mr. Andrew Yao Cho-fai, *BBS, JP*
Mr. Desmond Chum Kwan-yue
Ms. Sabrina Chao Sih-ming, *BBS, JP*
Mr. Daryl Liu Zhen-rong *(appointed on 1 July 2023)*

COMPANY SECRETARY
Mr. Lao Wai-keung

AUDIT COMMITTEE
Mr. Desmond Chum Kwan-yue *(Chairman)*
Mr. Floyd Chan Tsoi-yin
Mr. Andrew Yao Cho-fai, *BBS, JP*

REMUNERATION COMMITTEE
Mr. Andrew Yao Cho-fai, *BBS, JP (Chairman)*
Mr. Kenneth Ting Woo-shou, *SBS, JP*
Mr. Floyd Chan Tsoi-yin

NOMINATION COMMITTEE
Mr. Kenneth Ting Woo-shou, *SBS, JP (Chairman)*
Mr. Floyd Chan Tsoi-yin
Mr. Desmond Chum Kwan-yue

AUTHORISED REPRESENTATIVES
Mr. Kenneth Ting Woo-shou, *SBS, JP*
Mr. Ivan Ting Tien-li

SOLICITORS
P.C. Woo & Co.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
22 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

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

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Kader Holdings Company Limited (the "Company"), I present to our shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

The Group's revenue for the financial year ended 31 December 2023 amounted to approximately HK$372.54 million, representing an increase of approximately 5.84% over that reported last year and the profit from operations for 2023 amounted to approximately HK$23.60 million as compared to last year's loss from operations of approximately HK$21.04 million. The Group's loss attributable to shareholders for the financial year ended 31 December 2023 was approximately HK$74.63 million, which included deficit on revaluation of investment properties amounting to approximately HK$57.64 million and the interest expenses of approximately HK$35.20 million, as compared to last year's loss attributable to shareholders of approximately HK$86.38 million which included deficit on revaluation of investment properties of approximately HK$40.79 million and the exchange loss of approximately HK$14.04 million.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK$Nil).

The slow economic recovery after COVID-19 pandemic and the geopolitical conflicts have significant impacts on the performance of the Group for 2023. Faced with the challenging economy, the Group will diversify its businesses in addition to the enhancement of its existing businesses and explore sales opportunities. In relation to cost control, the Group will continue to streamline the operational procedures to enhance the efficiency and implement various measures to minimize the costs. With the above measures and the experienced and dedicated management team, the Group is optimistic to improve the returns to the shareholders in the future.

With the approval from the Government of the Hong Kong Special Administrative Region (the "HKSAR") for revitalization of Kader Building where our head office currently situates, the Group is taking the necessary measures to fulfil the requirements for revitalization and the whole processes are expected to be completed in the near future. The revitalization will increase the value of Kader Building and the rental income in the future.

On behalf of the Board, I would like to take this opportunity to express my appreciation to the Board members, our experienced management team and our dedicated team of employees who devoted themselves to the Group during the past year. Their contributions are unfailing and most instrumental to the continued viability of the Group. In addition, I take this opportunity to extend our gratitude to our customers, suppliers, business partners and shareholders for their unwavering support and confidence in the Group.

Kenneth Ting Woo-shou
Chairman

Hong Kong, 27 March 2024

Management Discussion and Analysis

RESULTS

The Board announces that the Group's revenue for the financial year ended 31 December 2023 amounted to approximately HK$372.54 million, representing an increase of approximately 5.84% over that reported last year and the profit from operations for 2023 amounted to approximately HK$23.60 million as compared to last year's loss from operations of approximately HK$21.04 million. The Group's loss attributable to equity shareholders for the financial year ended 31 December 2023 was approximately HK$74.63 million, which included deficit on revaluation of investment properties of approximately HK$57.64 million and interest expenses of approximately HK$35.20 million, as compared to last year's loss attributable to equity shareholders of approximately HK$86.38 million which included deficit on revaluation of investment properties of approximately HK$40.79 million and the exchange loss of approximately HK$14.04 million.

BUSINESS REVIEW

The slow economic recovery after COVID-19 pandemic and the geopolitical conflicts have significant impacts on the Group's performance for 2023. The Group believes that it still takes some time for the economy to recover. To cope with these unfavourable conditions, the Group will continuously diversify its businesses, explore sales opportunities, implement further measures to enhance efficiency and strengthen the cost control measures.

Toys and Model Trains

The toys and model trains business represents the manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are mainly manufactured in the Group's manufacturing facilities located in Mainland China and mostly sold to the United States, Europe and Mainland China. For the financial year ended 31 December 2023, the revenue was approximately HK$322.75 million, representing an increase of approximately 6.74% as compared to last year.

The Group will strive to explore new sales opportunities and manufacture high quality products with competitive prices to sustain its business.

Property Investment

Other than the core toys and model trains business, the property investment business plays a significant role too. The Group's properties are located in Hong Kong and overseas. For the financial year ended 31 December 2023, the Group's rental income amounted to approximately HK$49.79 million (2022: approximately 49.59 million). The rental income represented approximately 13.37% of the Group's revenue for the year (2022: approximately 14.09%).

During the year, the Group recorded valuation deficit of its investment properties of approximately HK$57.64 million (2022: approximately 40.79 million). The occupancy rate of its major investment properties, Kader Building, was approximately 69% (2022: approximately 74%).

RISKS AND UNCERTAINTIES

The Group's financial position and results of operations may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group:

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions which would not be completely mitigated even with strict operational procedures.

Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. The Group analyses its interest rate exposure on a dynamic basis and manages this risk in a cost-effective manner.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks for banking facilities, if necessary.

Customer risk

The Group's customer base is diversified and for the year ended 31 December 2023, there is no customer with whom transactions have exceeded 10% of the Group's revenue.

Foreign Exchange Rate Risk

Major assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, United States dollars, Sterling Pounds ("GBP"), Renminbi Yuan ("RMB"), Japanese Yen ("JPY"), Euro ("EUR"), Australian dollar ("AUD") and Singapore dollar ("SGD"). As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP, RMB, JPY, EUR, AUD and SGD denominated transactions for which the exchange rate volatility is relatively high.

Management Discussion and Analysis *(Continued)*

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to sustainable and responsible business practices. We have established a comprehensive Environmental, Health and Safety ("EHS") Management System to manage the environmental footprint of our business. The Environmental, Social and Governance ("ESG") Committee meets periodically to discuss EHS in order to assess the Group's environmental performance and the application of the system and pertinent policies. An ESG risk management system is also in place to allow the Group to make better decisions and assist our stakeholders by identifying and managing the risks in a dynamic operating environment. To further enhance our environmental performance, we have established systems and policies to achieve our emission reduction targets based on the key performance indicator regarding greenhouse gas emission, waste generation, use of energy and water. The Group also recognises that the long-term risks of climate change have far-reaching impacts on our operations and business environment.

In the financial year of 2023, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations in Hong Kong and Mainland China.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has been maintaining long-term trusting relationships with its employees, customers and suppliers:

Employees

The Group believes that employees are the driving force behind our business success. We are committed to creating a supportive and innovative workplace for employees as well as cultivating a corporate culture with mutual trust and encouragement. We place a strong focus on improving employment management, safeguarding employees' health and safety, and ensuring they can fully leverage their strengths and potentials. We respect the unique perspective and experience of each employee. We are determined to provide equal employment and training opportunities to suitable candidates and all staff.

Customers

The Group strives to maximise customer loyalty through quality products and on-time delivery. Quality Management system has been developed to systemise and standardise the product quality control process. The Group firmly believes that customer satisfaction plays a vital role within our business as well as acting as a key differentiator that enables us to thrive. All customers are welcomed to express their opinions and suggestions on our products and/or services through different channels.

Suppliers

We understand that it is essential for our supply chain to align with our corporate social responsibility ("CSR") commitments and thus we select our suppliers carefully. All potential suppliers are requested to process evaluating purposes, including filling in the quality survey, providing compliance proof and submitting testing reports or reference sample. Supplier performance appraisal is also conducted regularly to assess their performance. In addition to quality consideration, we also take into account various ESG-related areas, including anti-corruption, occupational health and safety, product safety, labour standards and environmental protection.

For more details, please refer to the "Environmental, Social and Governance Report" section in this annual report.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2023, the Group's net asset value per share was approximately HK$2.22 (2022: approximately HK$2.29). The Group had net current liabilities of approximately HK$287.23 million (2022: approximately HK$205.92 million). Total bank borrowings were approximately HK$659.01 million (2022: approximately HK$521.32 million) while the secured total banking facilities were approximately HK$882.75 million (2022: approximately HK$840.92 million). Included in total bank borrowings were revolving loans of approximately HK$602.00 million (2022: approximately HK$506.00 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total bank borrowings compared to the total equity, was approximately 31.16% (2022: approximately 23.92%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks for banking facilities for working capital needs, if necessary.

Capital Structure

During the year, there were no changes in the Company's share capital.

Charges on Group Assets

As at 31 December 2023, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK$1,918.83 million (2022: approximately HK$1,932.56 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

Management Discussion and Analysis *(Continued)*

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the year ended 31 December 2023.

Contingent Liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed 817 (2022: 1,009) full time management, administrative and production staff in the HKSAR, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The staff costs for the year ended 31 December 2023 amounted to approximately HK$163.22 million (2022: approximately HK$170.40 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

The economic outlook for the year ahead will continue to be challenging due to adverse global economy, geopolitical conflicts and keen competition. Faced with the challenging economy, the Group will continuously diversify its businesses, explore sales opportunities, raise production efficiency and strengthen the cost control measures in order to sustain its businesses. With the completion of the revitalization of Kader Building in the near future, it is expected that the Group's source of revenue and profitability will be enhanced.

By order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 27 March 2024

Corporate Governance Report

The Board of Directors presents this Corporate Governance Report for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to enhance corporate performance and accountability. The Board regularly reviews and adopts corporate governance guidelines and developments. The Board believes that good corporate governance will in the long term serve to enhance shareholders' value.

The Board sets its corporate governance procedure and duties pursuant to the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and it accordingly reviews and monitors the training and continuous development in profession of directors and senior management and its policies and practices in compliance with relevant laws and regulatory requirements. The Company has adopted and applied a corporate governance policy. During the reporting year, the Group has complied with all code provisions set out in the CG Code, except for the deviation from CG Code C.2.1 as described below:

Under CG Code C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive director and independent non-executive directors ("INEDs") form the majority of the Board, with six out of ten of the directors of the Company being non-executive director and INEDs. The Board believes the appointment of Mr. Kenneth Ting Woo-shou to the posts of Chairman and Managing Director is beneficial to the Group as he has considerable industry experience.

CULTURE AND VALUES

A healthy corporate culture across the Group is integral to attain its vision, values and strategies. It is the Board's role to foster six corporate values as disclosed in the "Environmental, Social and Governance Report" section, with integrity and to ensure the Company's vision, values and business strategies are aligned to it.

The Group strives to maintain high standards of business ethics and corporate governance across all activities and operations. The required standards and norms are explicitly set out in the employee handbook. The Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth with the commitment of the corporate values.

Corporate Governance Report *(Continued)*

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as its model code for securities transactions by the Company's directors and relevant employees who are or may be in possession of unpublished inside information. Based on specific enquiries made, all directors have confirmed that they have complied with the Model Code throughout the year.

BOARD OF DIRECTORS

The Board currently comprises four Executive Directors (one of whom is the Chairman and Managing Director of the Company), namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li and Mr. Lao Wai Keung; one Non-executive Director, namely Mr. Bernie Ting Wai-cheung; and five INEDs, namely Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, Mr. Desmond Chum Kwan-yue, Ms. Sabrina Chao Sih-ming and Mr. Daryl Liu Zhen-rong. The biographical details of all directors of the Company, including the relationship amongst them, are set out on pages 27 to 31 of this annual report.

Chairman and Managing Director

Mr. Kenneth Ting Woo-shou currently holds the offices of Chairman and Managing Director of the Company. The Board believes that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Non-executive Director and Independent Non-executive Directors

Non-executive Director and INEDs are selected with the necessary skills and experience to provide a strong independent element on the Board and to exercise independent judgement. All Non-executive Director and INEDs are appointed for non-specific term and are subject to re-election upon retirement by rotation at least once every three years under the Listing Rules and the Company's Bye-laws. The Board believes the Non-executive Director and INEDs are well-qualified and competent in advising the Group on business strategies, finance and management issues. The INEDs are explicitly identified in all corporate communications, and one of them has significant accounting and financial expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each INED a written annual confirmation of independence. All the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The following mechanisms are implemented to ensure independent views and input are available to the Board and will be reviewed by the Company on an annual basis.

1. A sufficient number of five INEDs representing more than one-third of the Board and all of them continue to devote adequate time contribution to the Company;

2. All INEDs share their views and opinions through regular quarterly meetings with Executive Directors and senior managements;

3. Monthly updates on business performance are arranged for INEDs providing opportunities for them to express their views and inputs;

4. Annual meeting between the Chairman and all INEDs without presence of other Directors providing effective platform for the Chairman to listen independent views on various issues concerning the Group; and

5. Independent professionals advice would be provided to INEDs upon reasonable request to assist them to perform their duties to the Company.

Appointment and Re-election of Directors

All directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on a rotational basis. Where vacancies exist on the Board, candidates are proposed and put forward to the Board for consideration and approval. In accordance with the Company's Bye-laws, all newly appointed directors shall hold office until the next following annual general meeting of the Company after their appointment and shall then be eligible for re-election.

During the year, Mr. Daryl Liu Zhen-rong was appointed as an INED of the Company on 1 July 2023. He has obtained the legal advice referred to in the Listing Rule 3.09D on 23 June 2023 and he has confirmed that he understood his obligations as an INED of the Company.

Corporate Governance Report *(Continued)*

Continuous Professional Development of Directors

Upon their appointment, the new directors receive a package of orientation materials provided by legal advisers and attend extensive presentations given by senior executives to review the Group's businesses and to understand the statutory and regulatory obligations of a director of a listed company. Development and training of directors is an ongoing process so that they can perform their duties appropriately. The Group continuously updates directors on the latest changes in the commercial environment and the current development of the Listing Rules and other applicable regulatory requirements, to ensure compliance and to enhance their awareness of good corporate governance practices. All directors are encouraged to attend relevant training courses at the Company's expense.

The directors have provided to the Company their training records in the year. All of them have participated in appropriate continuous professional development by attending trainings or reading materials relevant to the Company's business or the directors' duties and responsibilities. All directors, namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li, Mr. Lao Wai Keung, Mr. Bernie Ting Wai-cheung, Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, Mr. Desmond Chum Kwan-yue, Ms. Sabrina Chao Sih-ming and Mr. Daryl Liu Zhen-rong complied with Code Provision C.1.4 of the CG code during the reporting year.

During the year, the Company has renewed the directors' and officers' liability insurance which provides appropriate cover for the directors and senior management.

Role of the Board

The Board is responsible for setting the strategic direction and policies of the Group and supervising management. The functions normally reserved for the Board are the monitoring and approving material transactions; steering the Group on strategic direction; setting up a Board committee for issues the Board deems appropriate; reviewing and approving the interim and final results; overseeing the effectiveness of the risk management and internal control system; overseeing and monitoring the environmental, social and governance matters; evaluating major corporate, strategic and operational issues that have a significant impact on the Group; and evaluating major investment opportunities which management has not already identified and/or, if the investment is so material, requires the Board to make a decision.

Board Meetings

The Board meets regularly and at least four times a year. Additional board meetings will be held when required. The board papers and related materials are dispatched to the directors within a reasonable time before the board meetings. In addition, directors have full access to information of the Group and can obtain independent professional advice whenever deemed necessary. The Company Secretary is responsible for communications with Board members.

Attendance Records of Directors

The attendance records of individual members of the Board and other Board Committees during the financial year are set out as below:

	Number of meetings attended/held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Name of Directors					
Mr. Kenneth Ting Woo-shou	4/4	–	1/1	1/1	1/1
Mrs. Nancy Ting Wang Wan-sun	2/4	–	–	–	0/1
Mr. Ivan Ting Tien-li	4/4	–	–	–	1/1
Mr. Lao Wai Keung	3/4	–	–	–	1/1
Mr. Bernie Ting Wai-cheung	4/4	–	–	–	1/1
Mr. Floyd Chan Tsoi-yin	4/4	2/2	1/1	1/1	1/1
Mr. Andrew Yao Cho-fai	4/4	2/2	1/1	–	0/1
Mr. Desmond Chum Kwan-yue	4/4	2/2	–	0/1	0/1
Ms. Sabrina Chao Sih-ming	4/4	–	–	–	0/1
Mr. Daryl Liu Zhen-rong (appointed on 1 July 2023)	2/2	–	–	–	–

During the year, the Chairman held a meeting with an INED without the presence of other Directors.

BOARD COMMITTEES

Pursuant to the CG Code, the Board established three committees, namely, Remuneration Committee, Audit Committee and Nomination Committee to oversee particular aspects of the Group's affairs.

The Company also established the Executive Committee in July 2006 with delegated authority to deal with the various miscellaneous banking matters of the Company. This committee comprises all the Executive Directors of the Company.

Corporate Governance Report *(Continued)*

The Board is responsible for performing the corporate governance functions which included:–

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(c) reviewing and monitoring the training and continuous professional development of the directors and senior management;

(d) developing, reviewing and monitoring the code of conduct applicable to employees and directors of the Company; and

(e) reviewing the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

Remuneration Committee

The Remuneration Committee was established in 2005 with written Terms of Reference posted on the Company's website. The Remuneration Committee comprises two INEDs and one Executive Director. Currently, the Remuneration Committee is chaired by Mr. Andrew Yao Cho-fai. Other members of the Committee are Mr. Kenneth Ting Woo-shou and Mr. Floyd Chan Tsoi-yin.

During the year, Remuneration Committee held one meeting to perform their functions as specified in the Terms of Reference. The role and function of the Committee is to make recommendations to the Board on the policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Committee determines the remuneration packages of individual executive directors and senior management and makes recommendations to the Board on the remuneration of non-executive directors, based on the profitability of the Group, the relevant market data, the performance and contribution of the individual directors, as well as reviews and/or approves matters relating to share schemes (if any). The primary objective is to retain and motivate the directors by linking their remuneration with performance and measuring it against corporate goals. However, no director can approve his or her own remuneration.

The emoluments of each of the director of the Company for 2023 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee was established in 1999 with written Terms of Reference posted on the Company's website. The Audit Committee comprises three INEDs. All committee members have appropriate industry and/or financial experience to perform their role in the business of the Audit Committee. Currently, the Committee is chaired by Mr. Desmond Chum Kwan-yue and the other members of the Committee are Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai.

The Audit Committee held two meetings during the year to perform their functions as specified in the Terms of Reference. During the year under review, the Audit Committee has met with management to review the interim and annual financial statements and to consider key accounting policies, and discussed with management the Group's risk management and internal controls and auditing and financial reporting matters.

Under its Terms of Reference, the duties of the Audit Committee, amongst other things, shall be to oversee the relationship with the external auditors, to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to consider any questions of resignation or dismissal of that auditor, and to review with senior management and external auditors the accounting principles and practices adopted, the Listing Rules and statutory compliance, internal control, related party transactions, risk management and financial reporting matters, including interim and annual financial statements and to provide recommendations to the Board.

The Audit Committee members have monitored the integrity of the Group's financial statements, annual and interim reports and accounts. They have also reviewed the significant financial reporting judgements contained in them. The review of the financial statements in the annual and interim reports, before submission to the Board, focused on:

1. Any changes in accounting policies and practices;

2. Major judgemental areas;

3. Significant adjustments resulting from audit;

4. The going concern assumptions and any qualifications;

5. Compliance with accounting standards;

6. Compliance with the Listing Rules and other legal requirements in relation to financial reporting; and

7. Any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give due consideration to any matters that have been raised by senior management.

Corporate Governance Report *(Continued)*

The Audit Committee also discussed issues and reservations arising from the audit work performed, and any matters the auditors might wish to discuss (in the absence of management where necessary).

The Audit Committee has performed an annual review of the control systems which included:

1. Reviewing the financial controls, risk management and internal control systems;

2. Discussing with management the system of risk management and internal control to ensure that management has performed its duty to have an effective risk management and internal control system including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function;

3. Considering any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

4. Ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;

5. Reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

6. Reviewing the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

7. Ensuring that the Board provided a timely response to the issues raised in the external auditor's management letter; and

8. Reporting to the Board on these matters as deemed appropriate.

Nomination Committee

The Company established the Nomination Committee in 2012 with written Terms of Reference posted on the Company's website. The Nomination Committee comprises two INEDs and one Executive Director. Currently, the Nomination Committee is chaired by Mr. Kenneth Ting Woo-shou. Other members of the Committee are Mr. Floyd Chan Tsoi-yin and Mr. Desmond Chum Kwan-yue.

The Nomination Committee held one meeting during the year. The duties of the Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement corporate strategy; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive; (v) review the Board Diversity Policy; and (vi) review the Nomination Policy.

Board Diversity Policy

The Company has formulated the Board Diversity Policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Nomination Policy

The Company has formulated the Nomination Policy in December 2018 aiming at setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board of the Company for appointment or (ii) shareholders of the Company for election, as a director of the Company.

1. Nomination Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

1.1 Skills, Experience and Professional Expertise: The candidate should possess the skills, knowledge, experience and professional expertise which are relevant to the operations of the Company and its subsidiaries.

1.2 Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company.

1.3 Commitment: The candidate should be able to devote sufficient time to attend the board meetings and participate in other board associated activities.

Corporate Governance Report *(Continued)*

1.4 Standing: The candidate should have the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

1.5 Independence: The candidate to be nominated as an independent non-executive director must satisfy the independence criteria set out in the Listing Rules.

2. Nomination Procedures

2.1 If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

2.2 On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration.

2.3 The Board shall observe the Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity.

The Company considers that it has complied with the Board Diversity Policy. As at 31 December 2023, out of ten directors at the Board level, two are female representing 20% of the Board. The Nomination Committee will continue in its best endeavours to promote and maintain diversity into the Board when selecting potential candidates and making recommendations to the Board based on the Board Diversity Policy and Nomination Policy.

For details of gender diversity at the workforce level (including senior management), please refer to the "Environmental, Social and Governance Report" section from pages 37 to 82 of this annual report.

AUDITOR'S REMUNERATION

Each year, the auditors are appointed at the Annual General Meeting ("AGM") and at the AGM held on 23 May 2023, directors were authorised to fix the auditors' remuneration for auditing services rendered.

The fees for services provided by the Group's auditors, KPMG, for the year ended 31 December 2023 are as follows:

Service rendered	**Fees paid/payable**
	HK$
Audit services	4,543,000
Non-assurance services	184,000
	4,727,000

In addition, audit services were provided by other auditors to certain subsidiaries for the year ended 31 December 2023 and the related fees amounted to HK$120,000.

The fee paid for non-assurance services mainly included tax compliance services and tax advisory services.

Save as disclosed above, the auditors have not so far provided any significant non-assurance services. Should any non-assurance services be considered to be conducted by our auditors, the Audit Committee would consider these proposals based on the policy developed by them in this regard, and would then make recommendations to the Board.

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibilities to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The responsibility of the auditors with respect to the financial statements is set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is committed to set up and maintain an effective risk management and internal control systems which are devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems.

The Board is responsible for maintaining a sound and effective risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Company's assets.

During the 2023, the outsourced internal auditor responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, provided reports to the Audit Committee and the management highlighting observations and recommendations to improve the risk management and internal control systems. The management agreed on the findings and adopted the recommendations accordingly.

The Audit Committee considered that there was no material defect in the Company's internal control review report.

The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems during the year, including financial, operational, compliance and risk management. The Board is of the view that the existing risk management and internal control systems are effective and adequate to the Group.

For the handling and dissemination of inside information, the Group has set up the following procedures and internal controls:

(1) The non-disclosure of confidential information is codified in the staff handbook;

(2) The inside information will only be disseminated to specified persons on a need-to-know basis; and

(3) The notifications regarding blackout period and securities dealing restrictions are sent to the relevant directors and employees.

The Group will review the effectiveness of the current procedures from time to time to ensure the compliance of the regulatory requirements.

Corporate Governance Report *(Continued)*

DIVIDEND POLICY

Dividends may be distributed by way of cash and by other means that the Board considers appropriate. A decision to declare and pay dividends will require the approval of the Board and will be at its discretion. Such discretion is subject to the applicable laws and regulations, the Company's Bye-laws and the approval of the shareholders, if applicable.

In determining the dividend payment ratio in respect of a financial year, the Board will take into account a desire to maintain and increase the dividend levels within the overall objective of maximizing shareholders' value over the long term. The dividend will generally be paid in the form of an interim and a final dividend.

In considering the level of dividend and means of payments, the Board will take into account the following factors:

1. results of operations and retained earnings;
2. cash flows;
3. financial conditions;
4. shareholders' interest;
5. capital requirements and investment plans;
6. general business conditions and strategies;
7. dividend yield of similar-sized companies listed in Hong Kong;
8. other relevant factors.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. This provides opportunities for shareholders and investors to raise their queries and share their views with our directors and/or senior management. Shareholders may call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the principal place of business a written request for such general meetings together with the proposed agenda items. At any general meeting a resolution put to the vote of the meeting must be taken by poll.

INVESTOR RELATIONS

The Group endeavours to continue maintaining a high level of transparency in communicating with shareholders and investors. The Group is committed to maintain two-way communications with shareholders and investors and to update shareholders and investors on relevant information in its business in a timely manner subject to the relevant regulatory requirements.

Enquiries may be put to the Board through the Company Secretary by post at the principal place of business of the Company.

Shareholders' Communication Policy

The Company has formulated a Shareholders' Communication Policy in September 2022 setting out the provisions with the objective of ensuring that shareholders are provided with ready, equal and timely access to material information about the Company.

The Board shall maintain an on-going dialogue with shareholders and will regularly review the policy to ensure its effectiveness.

Information shall be communicated to shareholders and potential investors mainly through the following channels:

(a) Company's publications;

(b) Annual general meetings and other general meetings (if any); and

(c) the Company's website.

The Group maintains a corporate website at www.kaderholdings.com which enables shareholders, investors and potential investors to track the Group's latest developments. This acts as an effective medium for information disclosure, and provides comprehensive and update information on the Group's operations, announcements, circulars, notices, as well as interim and annual reports.

The Company has reviewed its Shareholders' Communication Policy during the year and, taking into account all of the circumstances described, believes the policy is appropriate and effective.

During the year of 2023, the Company's Bye-laws were amended and the amended and restated Bye-laws were adopted by the shareholders of the Company at the AGM held on 23 May 2023. The purposes of making the amendments were to bring the Bye-laws in alignment with the certain amendments to the Listing Rules, reflect certain updates in relation to the applicable laws of Bermuda and make other consequential and housekeeping changes. Consolidated version of the Company's constitutional documents is available on both websites of the Company and the Stock Exchange.

As at 31 December 2023, the Company had 950,587,991 shares in issue, with a par value of HK$0.10 each. Interests of the directors and chief executives in the shares of the Company are disclosed in the Directors' Report set out on pages 32 to 34 of this annual report.

Directors' Report

The Directors of the Company submit their annual report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is incorporated in Bermuda under the Bermuda Companies Act 1981 with limited liability. The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the manufacture and trading of plastic, electronic and stuffed toys and model trains, property investment, and investment holding.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 10 to the financial statements.

SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2023 are set out in note 13 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2023 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 90 to 189.

BUSINESS REVIEW

A business review of the Group is provided in the Management Discussion and Analysis on pages 4 to 8. An analysis of the Group's performance using financial key performance indicators is provided in the Five-Year Summary on pages 191 to 192. No important events affecting the Group have occurred since the end of the financial year under review.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 191 to 192 of the annual report.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 (c) to the financial statements. There was no change in the authorized and issued share capital during the year.

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of approximately HK$74,634,000 (2022: loss of approximately HK$86,384,000) have been transferred to reserves. Other movements in reserves during the year are set out in the consolidated statement of changes in equity.

Directors' Report *(Continued)*

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK$Nil).

DONATIONS

Donations made by the Group during the year for charitable and other purposes amounted to approximately HK$Nil (2022: HK$73,000).

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Group during the year or subsisted at the end of the financial year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2023 are set out in note 22 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 30 to the financial statements.

PROPERTY

Particulars of the major property of the Group are shown on page 190 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	2023	2022
	%	%
Purchases		
– the largest supplier	**19**	6
– five largest suppliers combined	**50**	30
Sales		
– the largest customer	**9**	9
– five largest customers combined	**29**	30

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest at any time during the year in the above customers or suppliers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2023 are set out in note 31 to the financial statements.

Referring to the announcement dated 22 January 2021 in respect of continuing connected transaction facility agreement with Everline Associates, LLC (formerly known as Squaw Creek Associates, LLC) (the "Facility Agreement"), the transactions contemplated under the Facility Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, but these transactions are exempted from all the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2023 pursuant to Rule 14A.76(1)(a).

The continuing connected transactions have been reviewed by the Independent Non-executive Directors who have confirmed that (i) the Facility Agreement is entered into on an arm's length basis and in the ordinary and usual course of business of the Group; (ii) the terms of the Facility Agreement are fair and reasonable, on normal commercial terms, and are in the interest of the Group and the Shareholders as a whole; and (iii) the Annual Caps in respect of the continuing connected transactions contemplated under the Facility Agreement are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Directors' Report *(Continued)*

DIRECTORS

The Board during the financial year and up to the date of this report was:

Executive Directors:
Mr. Kenneth Ting Woo-shou *(Chairman and Managing Director)*
Mrs. Nancy Ting Wang Wan-sun
Mr. Ivan Ting Tien-li
Mr. Lao Wai Keung

Non-executive Director:
Mr. Bernie Ting Wai-cheung

Independent Non-executive Directors:
Mr. Floyd Chan Tsoi-yin
Mr. Andrew Yao Cho-fai
Mr. Desmond Chum Kwan-yue
Ms. Sabrina Chao Sih-ming
Mr. Daryl Liu Zhen-rong *(appointed on 1 July 2023)*

The Company has received from each of its INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers its INEDs to be independent. Members of the Board clearly understand their responsibility and obligations.

Mr. Lao Wai-keung, Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai shall retire by rotation in accordance with the Company's Bye-law 108(A), and Mr. Daryl Liu Zhen-rong shall retire in accordance with the Company's Bye-law 111, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Chairman and Managing Director

Mr. Kenneth Ting Woo-shou, SBS, JP, aged 81, was re-appointed as the Managing Director of the Company in July 2012. He was appointed as the Chairman of the Company and resigned as the Managing Director of the Company in July 2010. He has been the Managing Director of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1971 and was appointed as the Chairman in 1993. He resigned as an Independent Non-executive Director of Wheelock and Company Limited ("Wheelock") and Cheuk Nang (Holdings) Limited on 27 July 2020 and 29 February 2024 respectively. The listing of Wheelock on the Stock Exchange was withdrawn on the same day.

Mr. Ting currently serves as the Honorary President of HK Wuxi Trade Association Limited, The Federation of HK Jiangsu Community Organisation, Federation of Hong Kong Industries, The Chinese Manufacturers' Association of Hong Kong and The Toys Manufacturers' Association of Hong Kong Limited, and the Honorary Life President of the Hong Kong Plastics Manufacturers' Association Limited.

He also serves as a member of a number of other trade organisations and public committees such as The Hong Kong General Chamber of Commerce. He is Life Honorary Court Member of The Hong Kong University of Science and Technology.

Mr. Ting is a director of H.C. Ting's Holdings Limited (a substantial shareholder of the Company), which is owned as to 80% by Border Shipping Limited, a company in which Mr. Ting and Forest Crimson Limited (a substantial shareholder of the Company) have controlling interests. He is the father of Mr. Ivan Ting Tien-li, Executive Director of the Company, husband of Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and uncle of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Directors' Report *(Continued)*

Executive Directors

Mrs. Nancy Ting Wang Wan-sun, aged 76, was appointed as a Non-executive Director of the Company in January 2008, and re-designated as an Executive Director of the Company in February 2009. She has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 2001. Mrs. Ting has not held any directorship in other listed public companies in the last three years. She was appointed as Trustee of the Hong Kong Children's Hospital Charitable Foundation for a three-year term from 5 November 2019 to 4 November 2022. She is the wife of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company, the mother of Mr. Ivan Ting Tien-li, Executive Director of the Company, and the auntie of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Mr. Ivan Ting Tien-li, aged 48, was appointed as an Executive Director of the Company in April 2006. He was appointed as the Managing Director of the Company in July 2010, and stepped down from that position when he was re-designated as a Non-executive Director of the Company in July 2012. He was re-designated as an Executive Director of the Company in April 2018. Mr. Ting holds a Bachelor's Degree in International Politics and Economics. He is one of the authorized representatives of the Company. He has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1998. Apart from this, he also serves as director of certain other subsidiaries of the Company. Mr. Ting was appointed as an Independent Non-executive Director of Harbour Center Development Limited in December 2018.

Mr. Ting was the Chairman of the Hong Kong Chapter of Entrepreneurs' Organization from 2006 to 2007 and its Global Board from 2016 to 2017. He was on the Hong Kong Toys Advisory Committee of the Hong Kong Trade Development Council from 2003 to 2007 and from 2010 to 2014.

Mr. Ting currently serves as an Honorary Chairman of Hong Kong Toys Council, an Honorary Chairman and a General Committee Member of the Hong Kong Exporters' Association and a Governing Board Member of the International Council of Toy Industries (ICTI) Ethical Toy Program. He is also a member of Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and permanent Chairman of Federation of Hong Kong Jiangsu Youth. He is the son of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Mr. Lao Wai-keung, aged 59, was appointed as an Executive Director of the Company in July 2021. He joined the Group as the Financial Controller in 2011 and is currently the Chief Financial Officer and Company Secretary of the Company. He is primarily responsible for overall financial, accounting and company secretarial matters of the Group. Mr. Lao also holds various positions in a number of subsidiaries of the Company.

Prior to joining the Group, Mr. Lao had more than 20 years of experience in auditing and finance from an international audit firm and various Hong Kong listed companies.

Mr. Lao graduated from the University of London with a bachelor's degree in Economics. He is a fellow of the Institute of Chartered Accountants in England and Wales and a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants. Mr. Lao has not held any directorship in other listed public companies in the last three years.

Non-executive Director

Mr. Bernie Ting Wai-cheung, aged 58, was appointed as a Non-executive Director of the Company in July 2010. He was appointed as a director of Kader Industrial Company Limited since July 2010. He studied Mechanical Engineering at the University of Toronto, Canada. He obtained his MBA at Worcester Polytechnic Institute in the USA. He briefly worked in a manufacturing company in Canada. He is now working at Qualidux Industrial Company Limited as the Director and General Manager. Mr. Ting has not held any directorship in other listed public companies in the last three years.

Mr. Ting is the Honorary President of Hong Kong Toys Council under the auspices of the Federations of Hong Kong Industries. He became the Vice President of International Council of Toys Industries (ICTI) in 2009 to 2015 and has become the President of Asian Committee of Toy Industries since May 2018. As part of his public duties in Hong Kong, he was the Chairman of Hong Kong Q-Mark Council from 2011 to 2021. He is the Vice Chairman of The Hong Kong Standards and Testing Centre Limited. He is the Director of Hong Kong Certification Centre Limited. He is the Vice Chairperson of "CreateSmart Initiative" Vetting Committee. Mr. Ting is the Vice President of The Hong Kong Plastics Manufacturers Association Limited. He has been appointed by the Financial Secretary of the HKSAR as member of Standing Committee on Company Law Reform since 1 February 2019. He has been appointed by the Secretary for Innovation and Technology as a member of the Accreditation Advisory Board since November 2020. On 1 January 2021, the Secretary for Commerce and Economic Development has appointed Mr. Ting as a member of the Hong Kong Export Credit Insurance Corporation Advisory Board. He contributes his spare time to community service through Rotary Club of Hong Kong South.

He is the nephew of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Ivan Ting Tien-li, Executive Director of the Company. Mr. Ting is a substantial shareholder of Forest Crimson Limited which is a substantial shareholder of the Company.

Directors' Report *(Continued)*

Independent Non-executive Directors

Mr. Floyd Chan Tsoi-yin, aged 80, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Chan is a member of the American Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He had been a partner of BDO Seidman in the United States for many years. He was the Asia Pacific Regional Coordinator of BDO International and a member of BDO McCabe Lo Limited's executive committee in Hong Kong. He has significant experience in assisting clients in exploring business opportunities in the Asia Pacific region, particularly the Southeast Asian developing countries and The People's Republic of China. He is also closely involved with assisting clients in developing business in North America and Europe. Mr. Chan has not held any directorship in other listed public companies in the last three years.

Mr. Andrew Yao Cho-fai, BBS, JP, aged 58, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Yao is the Chairman of Hong Kong Shanghai Alliance Holdings Limited (listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")) and an Independent Non-executive Director of China Railway Signal & Communication Corporation Limited (listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange). Mr. Yao is an external director of China COSCO Shipping Corporation Limited, a holding company of certain companies listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, Singapore Exchange and Athens Stock Exchange. He was an Independent Non-executive Director of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange).

Mr. Yao is the Hong Kong Deputy of the 12th, 13th and 14th National People's Congress of People's Republic of China, Vice Chairman of Shanghai Chinese Overseas Friendship Association, Chairman of Federation of Hong Kong-Shanghai Associations (formerly Hongkong-Shanghai Economic Development Association), Vice Chairman of the Chinese General Chamber of Commerce Hong Kong, Honorary Founding Chairman of Shanghai Hong Kong Association, Chairman of the Council of Lingnan University and Board Member of Fudan University in Shanghai.

Mr. Yao was awarded "Young Industrialist Awards of Hong Kong" by Federation of Hong Kong Industries in 2004, Justice of Peace in 2008 and Bronze Bauhinia Star in 2016 by the HKSAR. Mr. Yao graduated from the University of California, Berkeley with a bachelor's degree in science and Harvard Graduate School of Business with a master's degree in business administration.

Mr. Desmond Chum Kwan-yue, aged 51, was appointed as an Independent Non-executive Director of the Company in March 2009. Mr. Chum was a portfolio manager at Claren Road Asset Management from 2008 to 2017, a company that provides financial services, and was responsible for building and managing a portfolio of regional corporate and sovereign bonds. Prior to working at Claren Road Asset Management, Mr. Chum was a Managing Director of Citigroup where he spent 12 years and helped to build its fixed income franchise in Asia. He oversaw a team of investment professionals and ran the Global Special Situations Group's investment activities in the Greater China Region. He has extensive experience in sourcing, evaluating and executing private lending, private equity and real estate investments in the Greater China Region. Mr. Chum graduated from Oxford University.

Ms. Sabrina Chao Sih-ming, BBS, JP, aged 49, was appointed as an Independent Non-executive Director of the Company in July 2019. She graduated from the Imperial College London in 1996. Ms. Chao is the Chairman of SeaKapital Limited and the Chairman of Charterhouse School (Asia) Limited.

Ms. Chao is a member of the Council of Lingnan University since 2018. She is also a Council Member of the Vocational Training Council since November 2022. In addition to above, she is Honorary Consul of Norwegian Honorary Consulate in Hong Kong; a member of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) in Jiangsu Province of the People's Republic of China; Executive Vice Chairman of Federation of Jiangsu Community Organization; and Executive Vice Chairman of Wuxi Chamber of Commerce and Advisor of Wusih Residents (H.K.) Association. Ms. Chao is appointed as a member of the Airport Authority Hong Kong (AAHK) in June 2021. She is presently the Chairman of External Advisory Group of the Department of Logistics and Maritime Studies in Hong Kong Polytechnic University. In May 2023, Ms. Chao is appointed by The Government of the HKSAR as a member of the Council for Carbon Neutrality and Sustainable Development.

Mr. Daryl Liu Zhen-rong, aged 40, was appointed as an Independent Non-executive Director of the Company in July 2023. Mr. Liu has 14 years' experience in financial markets. He is currently a director of Platinum Holdings Company Limited, a mid-sized investment banking boutique headquartered in Hong Kong with offices in Shanghai and Singapore. He is also a Responsible Officer for Access Investment Management (H.K.) Limited, a type 4 and type 9 licensed entity managing funds for institutions, corporate bodies, family offices and high net worth individuals. Prior to that, he was with the Investment Company of the People's Republic of China based in Singapore. Mr. Liu started his career in IBM as an analyst. He has not held any directorship in other listed public companies in the last three years. Mr. Liu graduated with a Bachelor of Business Management with a Double Major in Finance and Law from Singapore Management University.

Directors' Report *(Continued)*

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

All Non-executive Director and INEDs are appointed for non-specific term and are subject to re-election upon retirement by rotation at least once every three years under the Listing Rules and the Company's Bye-laws.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

As at 31 December 2023, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in the Company

	Number of ordinary shares of HK$0.10 each				
Name of directors	Personal interests	Family interests	Corporate interests	Total interests	% of total issued share capital
Mr. Kenneth Ting Woo-shou	288,929,941	2,075,183[(i)]	258,963,571[(ii)]	549,968,695	57.86%
Mrs. Nancy Ting Wang Wan-sun	2,075,183	–	–	2,075,183	0.22%
Mr. Ivan Ting Tien-li	21,530,432	–	–	21,530,432	2.26%
Mr. Lao Wai Keung	–	–	–	–	–
Mr. Bernie Ting Wai-cheung	–	–	–	–	–
Mr. Floyd Chan Tsoi-yin	–	–	–	–	–
Mr. Andrew Yao Cho-fai	–	–	–	–	–
Mr. Desmond Chum Kwan-yue	–	–	–	–	–
Ms. Sabrina Chao Shi-ming	–	–	–	–	–
Mr. Daryl Liu Zhen-rong (appointed on 1 July 2023)	–	–	–	–	–

Notes:

(i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.

(ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Border Shipping Limited; and 49,292,571 shares of the Company held by Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Tyrol Investments Limited.

(2) Interests in Associated Corporations

Name of associated corporations	Beneficial interests	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	% of interests in associated corporations
Allman Holdings Limited ("Allman")	Mr. Ivan Ting Tien-li	Ordinary shares of US$1.00 each	920[(i)]	–	–	63.89%
Pacific Sky Ventures, Inc. (formerly known as Pacific Squaw Creek, Inc.) ("PSV")	Mr. Ivan Ting Tien-li	Ordinary shares of US$1.00 each	–	–	1,000[(ii)]	100.00%
Everline Associates, LLC (formerly known as Squaw Creek Associates, LLC) ("Everline")	Mr. Ivan Ting Tien-li	Not applicable[(iii)]	–	–	–	62.00%[(v)]
Everline	Mr. Kenneth Ting Woo-shou	Not applicable[(iii)]	–	–	–	13.00%[(vi)]
Snow King Properties, LLC ("SKP")	Mr. Ivan Ting Tien-li	Not applicable[(iv)]	–	–	–	62.00%[(v)]
SKP	Mr. Kenneth Ting Woo-shou	Not applicable[(iv)]	–	–	–	13.00%[(vi)]

Notes:

(i) These interests are held by Mr. Ivan Ting Tien-li.

(ii) These interests are held by Allman. Mr. Ivan Ting Tien-li's beneficial interests in Allman are disclosed in note (i) above.

(iii) Everline does not have issued share capital, the percentage of interest in Everline represents the interest in capital account balance.

(iv) SKP does not have issued share capital, the percentage of interest in SKP represents the interest in capital account balance.

(v) These interests are held by PSV. Mr. Ivan Ting Tien-li's beneficial interests in PSV are disclosed in note (ii) above.

(vi) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

Directors' Report *(Continued)*

All the interests stated above represent long positions. As at 31 December 2023, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 31 December 2023, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS

As at 31 December 2023, substantial shareholders and other persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

	Number of ordinary shares of HK$0.10 each				
Substantial shareholders and other persons	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**% of total issued share capital**
Forest Crimson Limited	–	–	209,671,000 [(i)]	209,671,000	22.06%
Mr. Ting Hok-shou	13,800,238	571,429 [(ii)]	39,098,281 [(iii)]	53,469,948	5.62%
Ms. Emily Tsang Wing-hin	571,429	13,800,238 [(iv)]	39,098,281 [(iii)]	53,469,948	5.62%

Notes:

(i) 209,671,000 shares of the Company were held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Forest Crimson Limited has a controlling interest through Border Shipping Limited.

(ii) The spouse of Mr. Ting Hok-shou, Ms. Emily Tsang Wing-hin, is the beneficial shareholder.

(iii) Included in the "Corporate Interests" above were 3,913,997 shares of the Company held by Golden Tree Investment Company Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest; and 35,184,284 shares of the Company held by Kimpont Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest through Golden Tree Investment Company Limited and Yale Investment Corporation.

(iv) The spouse of Ms. Emily Tsang Wing-hin is the beneficial shareholder.

Save as disclosed above, as at 31 December 2023, the Company was not notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMOLUMENT POLICY

The emoluments of the directors and senior management are determined with reference to the prevailing market practice, the profitability of the Group, the directors' performance and responsibilities within the Group and contributions to the Group. The Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group subject to the Group's profitability and the individual's performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Kenneth Ting Woo-shou and Mr. Bernie Ting Wai-cheung, directors of the Company, are considered to have interests in Qualidux Industrial Company Limited ("Qualidux"), a company engaging in toy manufacturing long before the listing of the Company on the Stock Exchange, which competes or is likely to compete with the business of the Group pursuant to the Listing Rules. The average workforce of Qualidux as at 31 December 2023 was approximately 50.

As the Board of the Company is independent from the board of the abovementioned company and none of the above directors can control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such company.

Directors' Report *(Continued)*

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, the Directors and officers of the Company are entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or otherwise in relation thereto, to the extent as permitted by law. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

AUDITORS

The financial statements for the year ended 31 December 2023 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Kenneth Ting Woo-shou
Chairman
Hong Kong, 27 March 2024

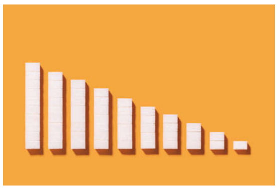
Environmental, Social & Governance Report

REPORTING PRINCIPLES

This environmental, social and governance ("ESG") report has been developed in alignment with the reporting framework and guidelines stipulated under the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx") for the period from 1 January 2023 to 31 December 2023. In preparing this report, Kader Holdings Company Limited ("Kader") (the "Company") with its subsidiaries (collectively, the "Group", "we" or "our") applied the fundamental reporting principles in HKEX Appendix C2, including materiality, quantitative, balance and consistency across the reporting period.

Materiality

The Group sets thresholds for determining which ESG issues are significant to our stakeholders.



Quantitative

The Group establishes targets, key performance indicators ("KPIs") and quantitative information, whether numerical or forward-looking, to reduce impacts and allow progress monitoring.

Balance

The Group aims to present reports with objectivity and without bias. Selective or incomplete disclosure is also avoided.

Consistency

The Group utilises consistent methodologies in our ESG data collection and reporting to enable meaningful comparisons of our performance metrics across reporting periods.

The Board has acknowledged its responsibility to oversee the Group's sustainable development and ensured that appropriate and effective ESG risk management and internal control systems are in place.

Environmental, Social & Governance Report *(Continued)*

OUR SUSTAINABILITY APPROACH

To achieve our mission of providing excellent services, high-quality products, and fair pricing for all clients and consumers, the Group upholds six core values that guide our personnel's conduct and decisions.

Be Beneficial
- Help the Group to thrive

Be Ethical
- Do what is right for ESG

Be Fair
- Treat all stakeholders fairly

Maintain Integrity
- Honest and trustworthy

Make "A"s
- Aim to produce "A" product & service

Be Responsible
- Take up responsible for product, actions

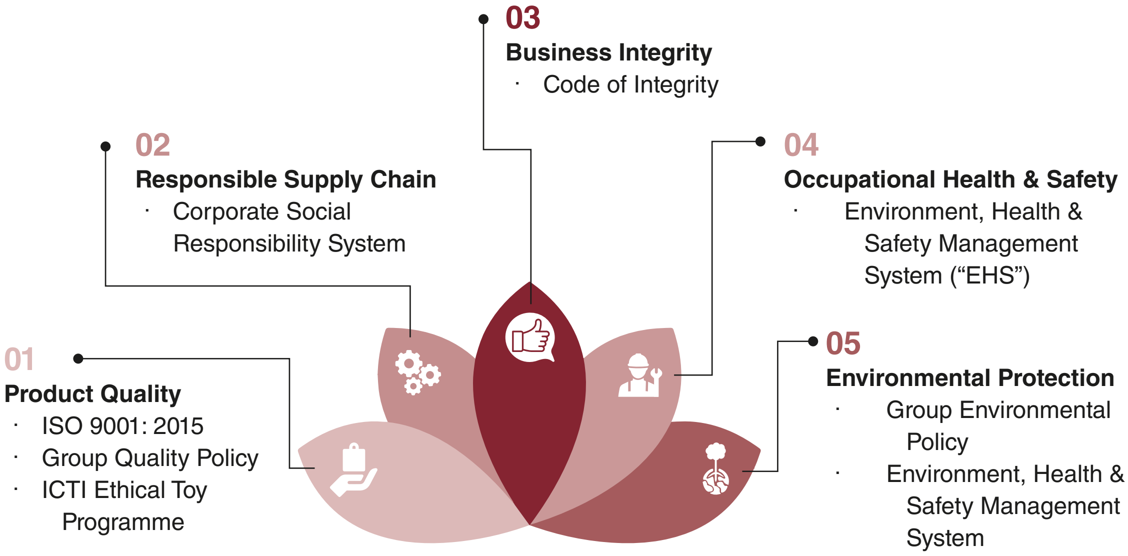
Through upholding our core values each day, we unite with a shared purpose – to understand needs, develop solutions of the highest standard, and build lasting relationships based on fairness, respect and mutual benefit. Only by keeping the highest standards internally do we enable long-term shared success with those we serve.

A comprehensive internal management system has been established to manage our ESG components, including five management approaches, product quality, responsible supply chain management, business integrity, occupational health and safety ("OHS"), and environmental protection.

To ensure the effectiveness and accuracy of our product quality, we have implemented a robust system of certifications and policies. ISO9001:2015 certification for quality management was obtained, signifying our aim to continuously refine procedures through standards-guided progress. This standard establishes requirements to streamline processes, lower expenses and advance quality consistently over time. Besides, International Council of Toy Industries ("ICTI") Ethical Toy Programme was also obtained since 2022 to reduce audit duplication and improve operational efficiency. Additionally, our Quality Policy outlines a structured framework for objectives that reinforces compliance with regulations.

Environmental, Social & Governance Report *(Continued)*

To comprehensively govern our operations, a suite of specialised policies has been instituted. Our corporate social responsibility system establishes directives for upholding integrity across the supply network. A code of conduct also makes clear expectations around lawful and principled business conduct. Additionally, an environmental, health and safety management standard formalises protocols for well-being. A Group Environmental Policy then mandates environmentally-sound practices, including the procedure for wastewater discharge, management of hazardous chemical waste disposal and waste gas emission.



Sustainability Governance

As a responsible manufacturer, the Group is fully committed to its long-term role in value creation for all stakeholders through sustainable business practice. The Board provides top-level oversight of our ESG strategies and performance. The Board governs our overall ESG management approach, which involves steering corporate sustainability strategies, evaluating the efficacy of ESG risk management, making decisions on ESG issues, and monitoring progress against environmental, social and governance objectives and targets. Under the Board's leadership, we are dedicated to continuously integrating responsible and ethical considerations into how we operate at every level.

Environmental, Social & Governance Report *(Continued)*

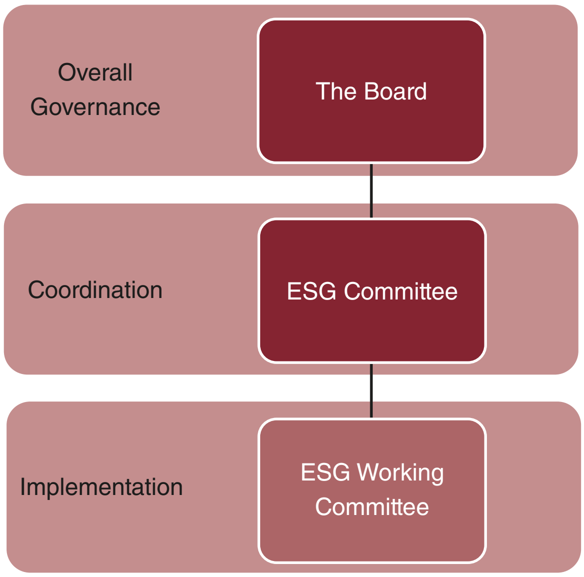
The Group has formed the ESG Committee to manage and monitor the ESG issues in our Company as well as performing the following tasks in order to systematise our sustainability governance:

- Evaluate and determine the Group's ESG-related risks (including climate-related risks) and opportunities;
- Ensure appropriate and effective ESG risk management and internal control systems are in place;
- Set the Group's ESG management approach, strategy, priorities, and objectives;
- Set the Group's ESG-related goals and targets and review the performance periodically;
- Approve disclosures in the Group's ESG report; and
- Provide updates to the Board as required.

To facilitate ongoing oversight of the Group's ESG performance and initiatives, the ESG Committee conducts semi-annual meetings as a minimum requirement. At these sessions, committee members convene to review the Group's environmental, social, and governance issues, risks and opportunities. Through their biannual discussions, the committee helps ensure ESG priorities remain a strategic focus to drive long-term sustainability and value creation across our operations and for stakeholders.

ESG Risk Management

The Group has implemented a robust risk management framework to facilitate prudent decision-making and provide assurance to stakeholders in a changing operational landscape. A key component of the framework involves an annual group-wide ESG Risk Assessment Survey completed by senior executives and employees. Through this exercise, potential ESG-linked risks that could affect business and operations are identified. The ESG Committee then evaluates these risks and establishes targeted outcomes to ensure sustainable management. Additionally, the ESG Committee oversees internal controls and risk procedures to confirm adequate ESG risk governance is in place. With this systematic process, the Group proactively identifies and addresses emerging issues; thereby, bolsters resilience and further integrates responsible practices across its activities.



The following are some of the countermeasures implemented to address the impacts of the identified ESG risks.

Risk Identified	Countermeasure(s) Implemented
OHS Risk	Failure to implement an appropriate occupational health and safety system may lead to severe consequences such as inability to recognise and reduce risk, unable to prevent accidents and responds to disease outbreaks, and may result in facing penalties or legal repercussions. The Group's EHS Management System is aligned with the development strategy and applicable laws and regulations, and consists of five components: hazard identification, prevention and control, safety inspection and performance monitoring, emergency preparedness, ESG incident investigation and corrective action.
Supply Chain Risk	A poorly managed supply chain may have a detrimental impact on the reputation and quality of the products, raising the cost of raw materials and lowering the profit margin. The Group has established a Vendor Qualification and Vendor Control Procedure to ensure qualified subcontractors comply with local laws and regulations. It also conducts on-site audits and has established an Anti-Conflict Procurement Procedure to uphold integrity along the supply chain.

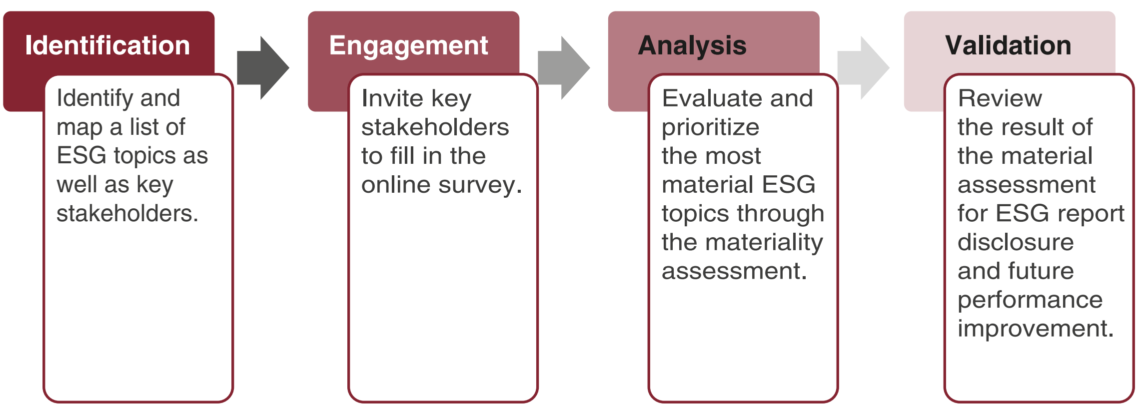
Environmental, Social & Governance Report *(Continued)*

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

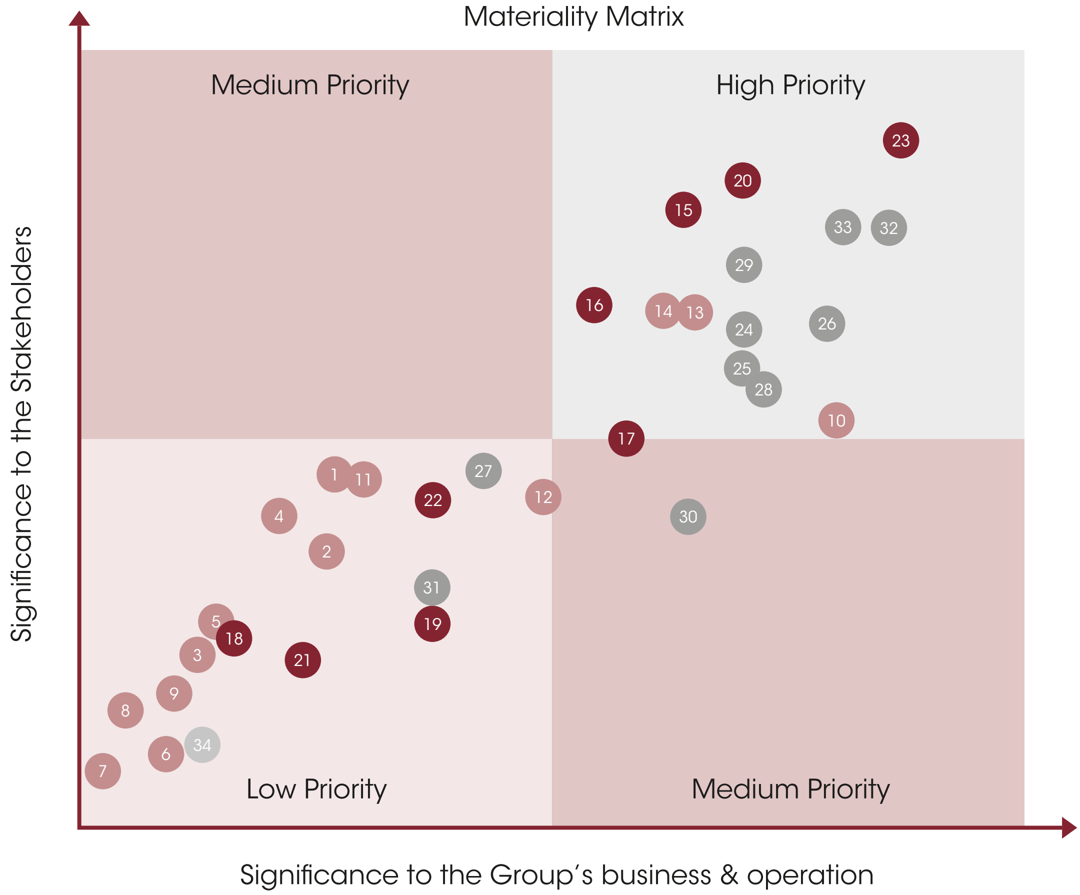
As meaningful engagement strengthens sustainable progress, the Group prioritises understanding stakeholders through respectful, ongoing interactions. Recognising each party's role allows us to address concerns while meeting evolving needs through collaboration. We routinely connect with below stakeholders by:

Stakeholder groups	Engagement methods
Board of Directors, Shareholders and Investors	• Company website and announcement • Annual and interim reports • Regular meetings
Customers	• Company website • Annual and interim reports • Customer service channels
Employees	• Training and orientation • Intranet • Performance review • Company activities • Opinion box • Staff satisfaction survey
Suppliers and business partners	• Selection assessment • Procurement process • Supplier performance appraisal or audit • Regular communication (e.g. email, meetings, on-site visit)

The major ESG issues that are most important to the Group must be identified in order to set up our ESG management direction and structure. The Group has engaged an independent consultant to conduct a materiality assessment in form of an online questionnaire. The questionnaire with 34 identified ESG topics was distributed to our main stakeholder groups, including the Board, staff and consumers. Each topic was given a score based on how applicable and significant it was to the business operations and to the stakeholders themselves.



Based on the materiality of each of the ESG topics expressed by the stakeholders, the ESG topics are prioritised and shown in the materiality matrix below:



Social

Environment

1 Air emission
2 Greenhouse gas emission
3 Decarbonisation
4 Conversion of ecosystem
5 Nature-related risk and opportunity management
6 Circular economy
7 Environmental data management
8 Climate change mitigation
9 Climate risk management
10 Energy efficiency
11 Water & effluents
12 Use of materials
13 Waste Management
14 Environmental compliance

Employment

15 Labour rights
16 Labour-management relations
17 Employee retention
18 Diversity and equal opportunity
19 Non-discrimination
20 Occupational health and safety
21 Employee training
22 Employee development
23 Prevention of child labour & forced labour

Operation

24 Customer satisfaction
25 Customer service quality and complaints handling
26 Customer health and safety
27 Marketing and product and service labelling compliance
28 Intellectual property
29 Customer privacy and data protection
30 Responsible supply chain management
31 Fair operating practices on supplier
32 Ethical business
33 Socio-economic compliance

Community

34 Community involvement

We divided those ESG topics into three categories — high, medium, and low — in order to improve strategic planning and resource allocation. The topics that fell in the upper right corner of the matrix were defined as the topics that matter the most to the business operation of the Group and our stakeholders. Moving forward, the Group will continually acknowledge the updated expectation of our stakeholders and is dedicated to enhancing its ESG performance, governance, and policies.

Key concerns from stakeholders	Our responses	Section
Prevention of Child Labour and Forced Labour	Upholding the highest ethical standards. The Group firmly committed to protecting human rights and preventing unethical conduct across all our work. Child labour and any form of forced labour are strictly prohibited in any of our operations.	Child & Forced Labour
Ethical Business	We strive to continually strengthen our operation with integrity and respects. We have robust whistleblowing procedures to protect confidentiality of any good faith reports, and prompt actions will be taken in any suspected cases.	Business Conduct
Social-economic Compliance	Operating responsibly and compliantly is important to our license to operate. We are committed to follow all applicable labour, safety, environmental and community laws and regulations.	Overall
OHS	The management guidelines comply with all applicable laws and regulations. Our method for managing OHS complies with the strictest requirements for workplace security.	Occupational Health & Safety
Labour Rights	In compliance with relevant laws and regulations, such as the People's Republic of China ("PRC") Labour Law and the PRC Labour Contract Law, we created our Employment Policy and Employee Handbook. We are dedicated to delivering a workplace free from harassment and discrimination.	Employment Practices

A RESPONSIBLE EMPLOYER

The satisfactions and success of our people lie at the heart of the Group's process. We aim for a supportive culture where employees feel empowered in a healthy, safe working environment. By championing a people-centred company, it is our top priority to invest in developing every staff potential through trainings and development plans. To enhanced employment management, we also continually provide opportunities for our workforce to thrive and contribute their best to work.

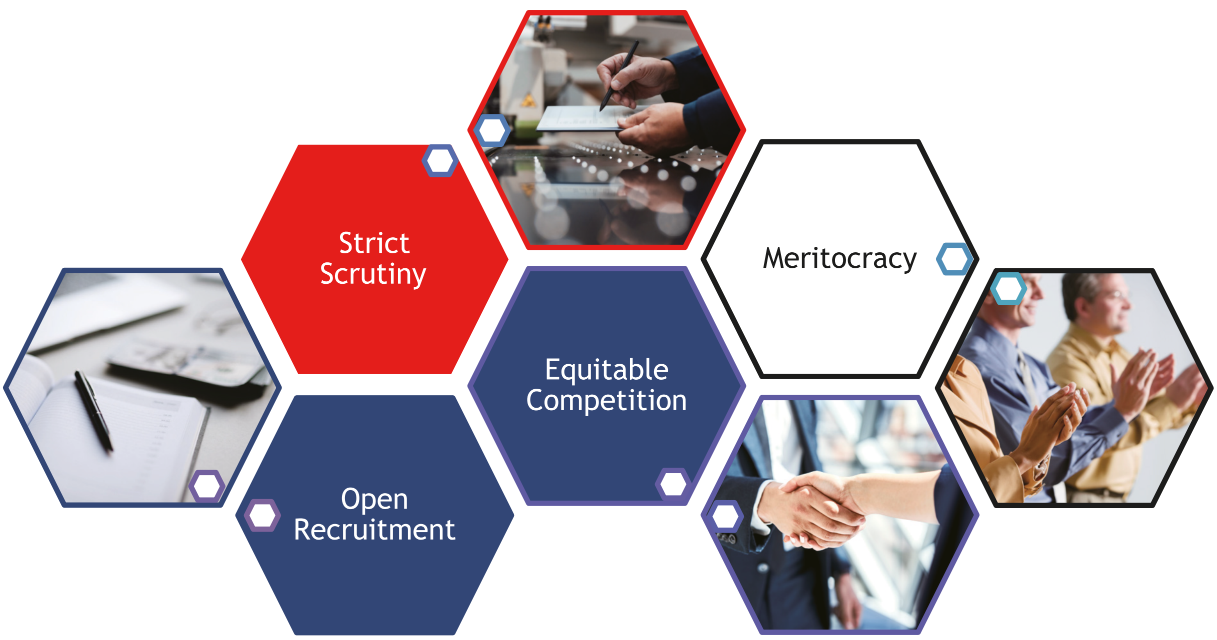
Throughout the Reporting Period, the Group was not subject to any non-compliance in key human resources ("HR") domain. Laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and child and forced labor were all adhered to as per applicable regulations.

Employment Practices

Fair employment is the centre of our human employment process. We uphold four employment guiding principles: open recruitment, equitable competition, strict scrutiny, and meritocracy.

Through our Employee Handbook and Code of Conduct, we foster a respectful and non-discriminated workplace culture, where each employees' diversity is valued equally. In the Code of Conduct and Employee Handbook, we have outlined strong guidelines on anti-discrimination and the actions to do against discrimination and harassment. All employment-related decisions, including recruitment, development, promotion, compensation, and termination of employees, must be determined solely based on work-related factors such as qualification, performance and abilities. Personal attributes unrelated to job duties will not affect outcome to ensure the employment's fairness.

The HR team plays a key role by implementing objective evaluation methods. For example, requiring scorecards and structured interviews help assess candidates based purely on merits. Unconscious bias training, especially for those directly involved in selection and promotion decisions, can also help reduce prejudices.



Environmental, Social & Governance Report *(Continued)*

As of 31 December 2023, the Group employed a total of 594 full-time employees. The following tables provide an overview of our workforce demographic and turnover rate for the period:

		2023	2022
Total number of employees		**594**	**751**
By gender	Male	36.53%	37.02%
	Female	63.47%	62.98%
By age group	Below 30	6.73%	10.12%
	30 to 50	69.53%	68.58%
	Over 50	23.74%	21.30%
By geographical region	Hong Kong	11.45%	9.19%
	Mainland China	88.55%	90.81%
By employment type	Management	6.40%	5.46%
	General Staff	93.60%	94.54%

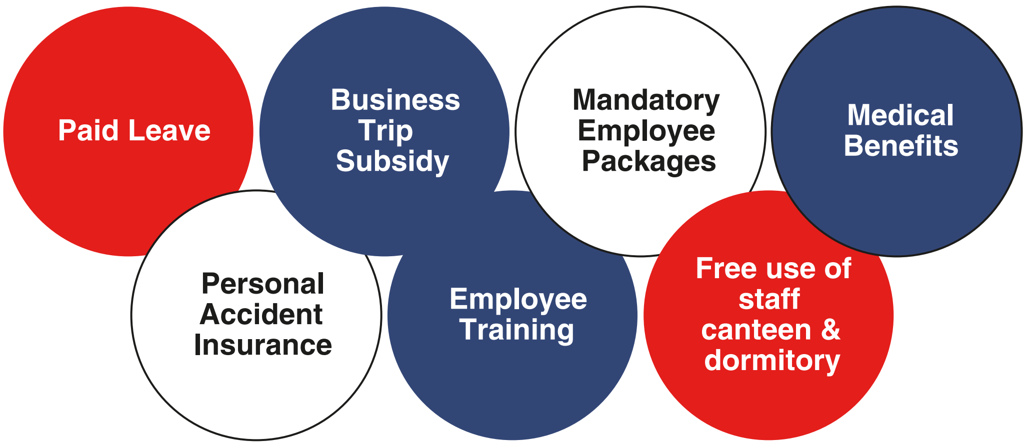
Employee Turnover Rate[1]		**Hong Kong Office**	**Manufacturing Facility & Warehouse**
Total		**20.59%**	**84.79%**
By gender	Male	24.32%	95.56%
	Female	16.13%	79.19%
By age group	Below 30	0.00%	230.77%
	30 to 50	25.00%	62.07%
	Over 50	16.13%	110.91%
By geographical region	Hong Kong	20.59%	0.00%
	Mainland China	0.00%	84.79%

[1] The turnover rate is calculated by dividing the number of employees in the specified category leaving employment during FY2023 by the number of employees in the specified category as at 31 December 2023.

Guided by relevant employment laws and standards, we have formulated our Employment Policy and Employee Handbook centred around fair treatment and opportunity for our people. Regulations such as the PRC Labour Law and the PRC Labour Contract Law since our manufacturing process is in Mainland China. Various process and rules address topics like recruitment, working and leave, rest period, attendance, performance appraisal and promotion, termination, workplace discipline, and other employee benefits and welfare. In addition, we have implemented robust safeguard against any exploitation in our operation including child labour and all forms of unvoluntary employment.

To ensure integrity in the hiring process and prevent potential fraud, the HK and PRC HR team undertakes rigorous screening procedures for all prospective employees. These include performing background checks which require self-declarations. Maintaining the highest standards of honesty and propriety both in recruiting new talents as well as monitoring current staff is a top priority.

We strive to recruit and retain top talents through attractive compensation packages while maintaining a caring and flexible culture. Our compensation package aims to attract skilled individuals while empowering them to manage a well work life balance. This balanced, people centric approach can optimise motivation and productivity company-wide while maintaining a high satisfaction workforce. Aside from paid annual breaks and statutory holidays, we provide several benefits for our employees.



We provide a comprehensive leave programme for employees, including 6 days of sick leave, 3 days of marriage leave, paternity leave, maternity leave, jury duty leave to all our staffs.

Additional benefit ware also offered to enhance quality of life and productivity. Besides the free use of staff canteen, monthly meal allowance was also provided to our staff to aid nutrition. Business trips are also subsidised to support staff in effectively fulfilling duties away from the office through a positive experience.

Child and Forced Labour

The prevalence of child labour among migrant worker families in Mainland China remains a serious concern, with estimates of over 138 million affected children in 2020[2]. Apart from child labour, according to International Labour Organisation ("ILO") Convention 29[3], companies are prohibited to all forms of forced or compulsory labour and are required to ratify the states of forced labour as a penal offense. Addressing these significant societal issues, we are deeply committed to respecting human rights and ethics across our operations. Zero tolerance is taken for any forms of child or compulsory labour.

Through our Recruiting Guidelines, candidates are treated with respect to protect their rights. Before onboarding and throughout the whole employment process, each employee receives information of their rights. We also foster an open culture where workers are encouraged to report any instances of coercion or unfair treatment whether experiences personally or witnessed, either verbally or in writing, to the responsible department head. Necessary disciplinary measures will be applied for legitimate situations.

To prohibit child labour, we have set Recruiting Guidelines and Anti-discrimination Management Policy for HR staff to follow. Procedures including all job applicants are required to go through a thorough identification and background check to confirm they are of legal working age. Identification verification occurs randomly across company premises including HK office and mainland factories to regularly validate individual age. Any workers found to be below minimum lawful standards will trigger immediate actions. The lawful ages are 15 years old in Hong Kong and 16 years old in Mainland China. The appropriate personnel must strictly adhere to the instructions of the Child & Juvenile Worker Protection Procedure to carry out prompt rectification and remediation, which may include sending the workers home and giving them the necessary medical and educational support until they are old enough to work.

Our compliance department upholds the highest standards of ethical conducts. They monitor workplace conditions and investigate in any reported concerns to prevent non-compliance. Regular Audit were also performed to prevent issues by identifying and addressing lapses. Compliance further ensures the Group's policies and procedures are adherence to the relevant regulations, such as Employment Ordinance, Employment of Children Regulation in Hong Kong and Labour Law in PRC.

We extend our commitment to human right beyond our direct operation through upstream and downstream supply chain. Suppliers are likewise subject to the anti-child and forced labour policies of the Group. If there are any incidents of non-compliance, immediate corrective actions must be done right away. Failing demonstrable improvement, the ongoing business partnership will be terminated to uphold zero tolerance toward child labour and forced labour.

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[2] China Labour Bulletin Definition and population change
https://clb.org.hk/en/content/migrant-workers-and-their-children

[3] International Labour Organization_Co29-Forced Labour Convention (No.29)
https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:NO:P12100_ILO_CODE:C029

Staff Development

The Group understands our workers' professional competence and personal development are critical to success. The Group encourages workers to develop continuous skills and we unleash each employee's full potential. Hence, talent cultivation is our strategic priority, with a forceful and organised approach to nurture a culture of prolong learning.

Annual training plans factor organisational orientation, departmental demands, job requirements, and personnel needs. Internal training programmes are categorised based on the needs of new hires and current workers as outlined below. On-the-job development for current staff centred on the management defines technical abilities. New staff orientation introduces the internal norms and working circumstances. Trainees are obliged to complete the training evaluation form to provide feedback on trainers' effectiveness and material relevance. The programme impact is then evaluated through analytics to facilitate the ongoing improvement.

New Staff Orientation

- Company Overview
- Staff Responsibilities
- EHS Training
- Kader's Requirement on Environmental Protection, Product Quality etc.
- Mentoring Program

On-the-Job Training

- Personal Competencies
- Management Skills
- Legal Requirement Updates
- Customers Requirement and Industry wide Standards (e.g. ISO requirements)

Employees are supported to participate in external training and short courses in addition to internal programmes. This can supplement competency development and knowledge of industry trends. The Group also provide subsidies to eligible candidates who are enrolled in institutional training and external short courses where attendance meet expectation.

We fostered a culture that values equal opportunities and encourages mutual advancement through merit-based recognition. Employees fulfilling higher level of duties and demonstrating meaningful contributions receive rewards including promotion, training, and performances bonuses. Continuous skills assessment and annual reviews by direct managers or supervisors aid to identify training needs and facilities personal development planning. The performance discussion between staff members and supervisors allow staff to discuss career goals, training requirements, and any challenges they have had at the yearly performance review. Following assessments and performance reviews, the management should make feedback to inform the identification of competency gaps and tailored programming at the team level. This guidance, coaching and oversight can further accelerate employees' individual growth and optimise team effectiveness.

Training on Environmental, Health and Safety

In FY2023, we arranged a total of 435 hours of training covering topics relating to OHS, ISO requirements, computer competencies, updated content of the Employee Handbook, and leadership enhancement to our employees.

2023		Percentage of Employees Trained[4]	Average Training Hours (Hours)
Training		**48.65%**	**1.51**
By gender	Male	38.75%	1.51
	Female	61.25%	1.51
By employment category	Management	1.04%	2.00
	General staff	98.96%	1.50

[4] Percentage of employees who received training is calculated by dividing the number of trained employees of each category by total employees of that category.

Relationship with Employees

Effective communication is key to fostering understanding, collaboration and business success. In Kader, two-way dialogue between management and employees is facilitated through diverse channels. This includes an open suggestion box, staff satisfaction surveys, performance reviews, department meetings and various training opportunities. Regular company events also allow for interactive engagement.

We place great importance on fostering employee enjoyment and culture. To this end, our annual Christmas party provided a fun-filled social occasion for staff. In December, a festive buffet lunch was served alongside activities like gift bingo and group photo-taking. Additionally, during the Mid-Autumn Festival last year, each employee received a box of mooncakes to celebrate the auspicious occasion with their families. Events like these helped build camaraderie and boost morale by allowing employees to connect and share in celebrations, whether work-related or cultural, in a relaxed environment.

Occupational Health and Safety

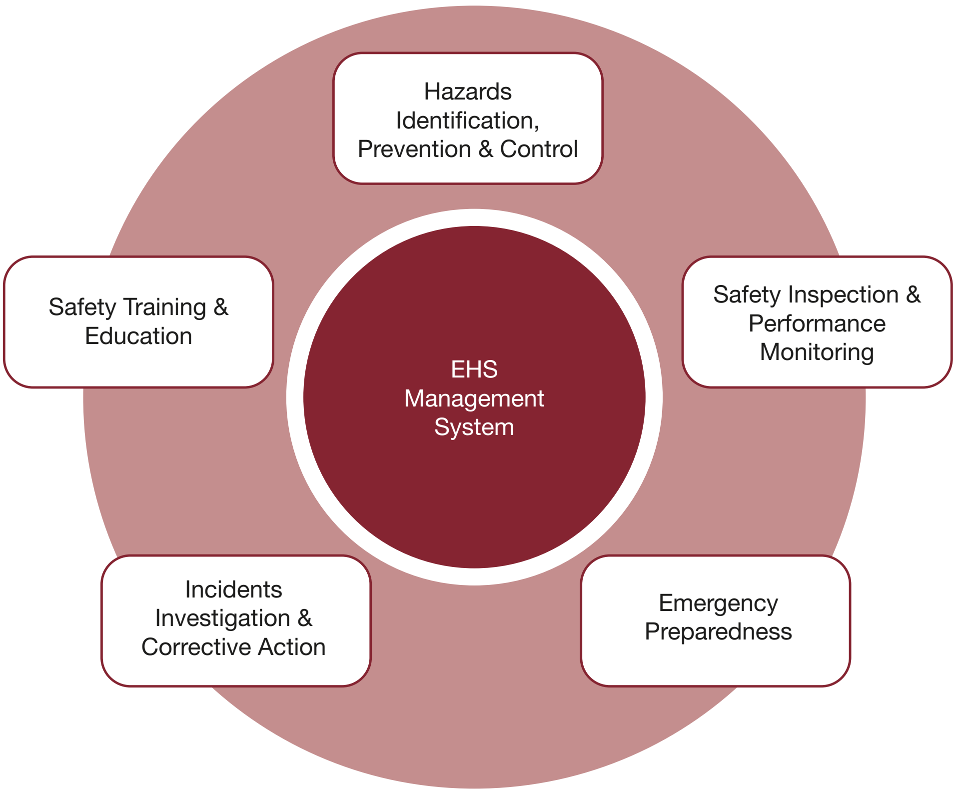
In the Group, "Safety First, Prevention First" guides our proactive approach to OHS. Rather than reacting to incidents, we focus on identifying potential hazards and implementing preventive controls before issues can arise.

Given our operations in Hong Kong, we fully follow the health and safety regulations of the region. Through a prevention-focused mindset and robust governance system, we aim to protect the wellbeing of our employees across locations. Ongoing training and risk assessments help us strengthen defences proactively against existing and emerging risks.

Environmental, Social & Governance Report *(Continued)*

Additionally, as we mainly manufacture in Mainland China, we recognise our responsibility to comply with relevant PRC laws and regulations pertaining to workplace safety. We have established and effectively operate an occupational health and safety management system in adherence with the Law of the PRC on Prevention and Control of Occupational Diseases, as well as the Production Safety Law of the PRC. The EHS Committee is tasked with ensuring the proper implementation and effectiveness of our newly adopted production facility model and related policies across all factories. Central to their remit is keeping a close watch on each facility's safety targets and objectives. Through conducting factory-wide inspection every month and timely EHS committee meetings every two months for communication of internal audit status summarisation, the committee works to significantly reduce workplace hazards and strengthen protections for the modern era. Their efforts exemplify our dedication to prioritising employee wellbeing.

Our OHS management system is structured around five components: hazard identification, prevention & control, safety inspection & performance monitoring, emergency preparedness, incidents investigation & corrective action, and safety training & education. Regulations and standard operating procedures cover crucial areas such as fire safety, hazardous waste management, occupational noise nuisance, usage of chemicals, and personal protective equipment ("PPE") management have also been devised.



Hazards Identification, Prevention & Control
• Our Administrative Department is responsible for the identification and assessment of hazardous energy sources, while the Electrical and Mechanical Department manages and implements the corresponding control measures • EHS Committee arranges monthly hazard assessments with relevant departments for all new production processes, types of machineries and substances before adoption • All production units are required to provide suitable PPE to employees based on their job natures
Safety Inspection & Performance Monitoring
• Our Safety Officer carries out monthly inspections in the factories to check the implementation of safety measures and workplace conditions • EHS Committee holds bi-monthly EHS meetings to review inspection results and the progress of corrective actions
Emergency Preparedness
• Emergency contingency plans are in place for events such as fire outbreaks, chemical leakage, and different natural disasters • Emergency drills, such as fire drills and counter-terrorism exercises, are organised at least twice a year to prepare our staff for urgent situations
Incidents Investigation & Corrective Actions
• We encourage employees to report any unsafe behaviours observed or incidents to the EHS Committee for further investigation • All reported cases will be investigated and analysed by the Safety Officer before reporting to our Executive Manager • Corrective actions will be taken to rectify the reported issues as well as preventing reoccurrence in the future
Safety Training & Education
• All new joiners must attend and pass the three levels (i.e. factory, department, and position levels) safety training before commencement of their work • Refresh training with post-training quizzes on various safety topics, such as machinery operation, fire safety, industrial safety, counter-terrorism, use of PPE, and emergency management, is provided to all levels of staff on an annual basis • All external service providers are required to attend and pass the safety training provided by our Safety Officer before performing their work within the Group's premises • A weekly campaign is organised every year to promote the Occupational Disease Prevention Law to raise the awareness of employees • Safety posters and reminders are displayed in the workplace to remind our staff of safe production

Environmental, Social & Governance Report *(Continued)*

In order for our office personnel to work comfortably without worrying about occupational disorders brought on by bad posture and computer settings, we have also developed office condition management recommendations. We have also created regular working hours and discouraged the practice of unneeded extra labour in response to the rising concern about the culture of work-life balance.

	2023	2022	2021
Number of work-related incident	0	0	0
Number of lost day due to work-related injuries	379	102	504
Number of work-related fatalities	0	0	0

In FY2023, there were no work-related fatalities and 379 lost days due to work injuries. The Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Hong Kong and Mainland China.

A RESPONSIBLE PRODUCER

Business Conduct

Upholding the highest standards of business integrity is at top priority for our Group. We have established the Employee Handbook and Code of Integrity to foster an ethical culture and provided clear guidelines for staff behaviour as a responsible business partner. We have a zero-tolerance approach for all forms of bribery, fraud, money laundering and other improper acts. To ensure objectivity, employees may not solicit or accept any gifts, rewards, or improper favours from others. New employees will receive training on internal anti-corruption. All employees must sign the Code of Integrity to declare their commitment to upholding high ethical standards. These requirements are also applied to our suppliers and business partners. Non-compliance will be subject to disciplinary actions or even legal consequences.

To further strengthen integrity across our operation, the Group has implemented a Whistleblowing System with defined reporting channels and protocols for reporting suspicious cases confidentially. Employees are encouraged to internally disclose any questionable incidents to a supervisor of the relevant department. Individual who are found responsible for business misconduct face consequences according to our policies, which may include contract termination. We also reserve the right to pursue appropriate legal action if necessary. We aim to maintain anonymity, the identity of whistleblowers and details on reported incidents will remain confidential to the best of our capabilities.

In FY2023, we were not subject to any non-compliance with laws and regulations relating to bribery, extortion, fraud, and money laundering, including but not limited to the Anti-money Laundering Law and the Criminal Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. There was no legal case regarding corrupt practices brought against the Group or our employees, as we continuously aim to strengthen governance and compliance.

Stakeholder Privacy and Intellectual Property Rights Protection

Upholding stringent privacy is our top priority, and the Group recognises how crucial confidentiality is for our clients, staff members, and business partners. To safeguard stakeholders' personal information, we have implemented robust measures across our operation following our internal privacy rules:

- All staff must sign a declaration letter agreeing to utilise system legally and prohibit unauthorised access or use of data to prevent data leakage;
- Implement rigorous document and record management system to secure all sensitive information of the stakeholders is kept confidential and under protection;
- Clear privacy policies outlined in the Employee Handbook prohibit unauthorised access and use of customers' data; and
- Provide regular training to our employees regarding privacy matters.

The Group emphasises the preservation of creator's intellectual property ("IP") is as important to us as the privacy of stakeholders. As outlined in the Intellectual Property Handbook, employees must safeguard and respect the IP rights of both internal and external parties. Any trademarks, copyrights, patents or other IP, whether owned by the Group or third parties, require proper authorisation before use. An IP Manager will oversee pertinent training across all levels of employees in order to foster comprehension of the protection of privacy and intellectual property and monitors the performance of each department. Departmental performance is also monitored, any employees who violate or disregard the internal policies of the Group on the protection of privacy and intellectual property will face termination.

In FY2023, the Group was not subject to any non-compliance regarding applicable laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance and the Copyright Ordinance in Hong Kong and the Patent Law of the PRC.

Product Responsibility

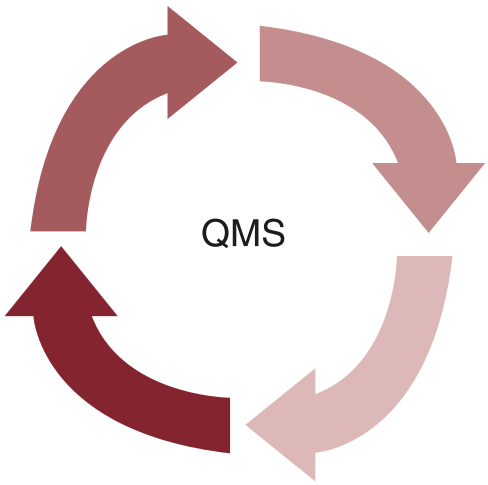
The Group aims to foster strong client loyalty through our commitment to high-quality items and timely delivery. The Group recognises client satisfaction is vital to our business success, we place a strong emphasis on this differentiator. To systematically manage and standardise our processes, we created the Quality Management System ("QMS"), which is recognised under ISO9001:2015. To guide teams in identifying, mitigating, and resolving quality management risks, a continual improvement approach of Plan-Do-Check-Act is incorporated into the QMS and supplemented by the Quality Handbook to provide guidance. On an annual basis, we will evaluate and enhance the entire system to ensure compliance with industry and regulations. Through this evaluation, we also identify opportunities to strengthen our service quality for clients.

Plan

- Identify and analyse the product quality risks and opportunities
- Formulate corporate quality management strategy and corresponding control measures

Do

- Monitor and conduct internal audit on the product quality requirements by customers and relevant laws and regulations regarding product design, development, production, and export
- Maintain close communication with consumers in case of any changes on the product requirements



Act

- Analyse data and feedback collected to enhance the comprehensiveness and effectiveness of the QMS
- Carry out prompt remedial actions when receiving complaints or having nonconformity

Check

- Invite customers to provide feedback via satisfaction survey, seminar, and interview etc.
- Assess suppliers and service providers performance relating to material quality and delivery time

Our Quality Assurance Manager and the production units' managers conduct product safety risk assessments for all raw materials and semi-finished materials used and the manufacturing process. This aims to prevent human error and assure product safety. For risks identification, corresponding control mechanisms are put in place, such as requiring a valid material analysis report from the supplier. Should a severe health and safety hazards of our product be discovered, we will immediately cease manufacturing and recall all disseminated items as per our Product Recall Procedure. The Quality Assurance Department will then conduct thorough investigation to identify the underlying causes and develop corrective and prevention measures to avoid any unintended usage and recurrence of issues.

Our approach to marketing, selling and client support services also demonstrates our dedication to Corporate Social Responsibility ("CSR") and quality management. The Product Labelling and Traceability Control Process serves as our guide for product's accuracy, fairness and adherence to the highest standard. After the procedure, our clients would receive guidance material on proper products usage to prevent issues brought up by misuse.

In FY2023, there was no product recall due to safety or health concerns. At the same time, the Group was not subject to any non-compliance with laws and regulations relating to health and safety, advertising, and labelling matters of products and services in Hong Kong and Mainland China.

We welcome all stakeholders to share their thoughts and recommendation on our goods and/or our services through various channels, including our yearly customer satisfaction survey, seminars, interview, or direct contact with our sales personnel. The recommendations will be carefully considered following the instructions of the Customer Complaint Handling Procedure by the Quality Assurance Department and sales representatives to ensure all feedback are investigated and an appropriate corrective action report is prepared to resolve the problem caused any case of dissatisfaction. In FY2023, there was no record of complaint received regarding our products and services.

Investigate the complaint → Identify potential solutions and communicate with the customer → Implement the agreed-upon solution → Record the details of the case and corrective actions to prevent reoccurrence

Supply Chain Management

The Group is committed to upholding responsibility throughout our supply chain via the adherence to the CSR system. Our Purchasing Procedure outlines the route and requirements for the acquisition of direct and indirect materials along with the purchasing team's responsibility to facilitate adherence to our CSR system. All prospective suppliers must undergo evaluation including a quality survey, compliance documentation review and submit testing results or reference samples in accordance with the Vendor Qualification and Vendor Control Process.

We have established ESG-related standards for labour, health and safety, environment, and ethics for our suppliers, based on the Responsible Business Alliance Code of Conduct. Only vendors that fulfil our criteria qualify for our Approved Vendor List. Suppliers are required to sign a contract to ensure full awareness of expectation around labour rights, OHS, environmental protection, and corporate ethics. Performance is annually evaluated by the Vendor Qualification Team and onsite quality inspection will also be conducted when needed. Any non-conformances will receive appropriate corrective action. Failure to make improve results in disqualification and eviction from the Approved Vendor List. Through open communication and accountability, we aim to continuously strengthen practices across supply chain.

The Group collaborated with 98 suppliers in FY2023, of which 34 were from Hong Kong, 54 were from Mainland China, and 10 were from other locations.

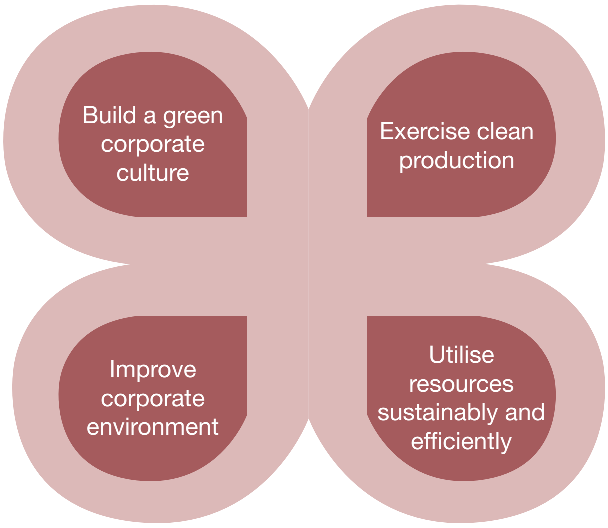
Environmental, Social & Governance Report *(Continued)*

Community Involvement

One of the core beliefs of the Group is to raise the well-being of the community. We continually seek opportunities to contribute and bring positive impact to the communities in which we operate through a socially responsible approach. The Group promotes community development by a variety of strategies, such as maximising the use of local suppliers. We also encourage employees to volunteer their time and skills for worthwhile activities to benefit the local economy and community.

ENVIRONMENTAL SUSTAINABILITY

Committed to sustainable and responsible business practices, the Group has established a comprehensive EHS Management System integrating with four environmental objectives to manage our environmental footprint of business. Environmental policies for resource management, working environment management, and emission control have been developed in adherence to industry best practices, client needs, and pertinent legal environmental requirements.



The EHS Committee consist of workers from all area of business, including operation manager, safety specialists, engineers etc. Our EHS manager is responsible for conducting bimonthly meetings to examine the Group's environmental performance as well as performing monthly inspections to ensure the system is effectively implemented in our plants, while our frontline employees will attend the meetings. To further enhance our environmental performance, we have set four emission reduction targets based on the key performance indicator regarding greenhouse gas ("GHG") emission, waste generation, use of energy and water. The ESG Committee monitors and reviews the progress of the targets at least twice a year and reports to the Board.

	Target FY2021-FY2025
GHG Emission • Limit transportation needs between internal facilities within the factory area by reducing unnecessary trips	 Reduce carbon emission intensity by 5%
Use of Energy • Provide training on energy management • Replace the explosion-proof tube light with LED or T8 tube light in all operation areas, and reduce the overall usage • Keep all equipments well maintained • Reduce the use of high energy-consumption machinery • Change the electrical lighting circuit system from series to parallel in all operation area • Turn off air conditioners when the temperature is below 26°C	 Reduce emission consumption by 5%

Environmental, Social & Governance Report *(Continued)*

Target FY2021-FY2025

Waste Generation

Canteen:
- Encourage reducing the use of disposable tableware and ultimately eliminate all
- Limit single-use plastic water bottles by providing drinking water
- Promote reduction of food waste

Reducing Paper Consumption:
- Promote paper saving among employees
- Reduce the use of paper by adopting electronic data processing
- Print on both sides of paper for day-to-day document

Reducing General Waste:
- Restructure the corporate waste management framework
- Set up waste sorting facilities so as to encourage recycling and reduce waste at source

Reduce non-hazardous waste intensity by 5%

Use of Water

- Provide training to our staff on water efficiency
- Monitor the water consumption usage monthly and repair the damaged water pipes to prevent water leakage
- Provide maintenance to the main pipeline of the water supply
- Replace all taps in the factory with water-efficient taps and use devices with water-efficient labels
- Reduce the number of water taps in the operation area of the factory.
- Remove all unnecessary water taps and pipes in the toilets
- Provide water-saving equipment in the factory

Reduce water consumption intensity by 5%

In FY2023, we were not aware of any non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste and use of resources in Hong Kong and Mainland China.

Air Emission Control

The Group is fully committed to complying with all applicable rules and regulations across all operations, this ensures all of productions processes are carried out with legal permissions and endorsements from regional authorities.

Our comprehensive Exhaust Gas Pollution Control Process systematically addresses all the industrial operations within facilities. These include processes like plastic molding, paint spraying, and welding as well as staff kitchens. The protocol provides detailed standard operation for daily practice, facility and pipeline maintenance, and record keeping of emission testing results. For instance, effluent pipelines are routinely monitored to promptly identify and stop any air pollution leaks. Proper sealing of volatile chemical containers after use is strictly enforce.

Waste Management

In addition to reducing the Group's environmental impact, a good waste management system can increase resource efficiency through various measures. For instance, segregation of waste into waste type, categories like paper, plastic, food, e-waste etc to improve recycling. A good system also keeps track of waste amounts by weighting and recording all waste disposed and recycled to track diversion rates and identify improvement areas. Adhering to proper hazardous waste disposal rules is also important, including rules for safe disposal of chemicals, batteries, light bulbs, fluorescent tubes through trained handlers.

The Group has designed the Waste Management Procedure to provide guidance on handling trash generated through our routine operations in a responsible manner. For example, before being handled further, all wastes must first be separated based on their natures (i.e., hazardous and non-hazardous). For each form of waste, several collection, storage, transfer, and disposal procedures have been devised and are covered in the subsections below.

Hazardous Waste

Given the harmful environment and resources impacts of hazardous waste, the Group places a strong emphasis on its responsible management. Designated storage areas are established in compliance with the legislative criteria to safety contain this material.

Several types of hazardous waste, such as waste paint, waste motor oil, and waste oil rags, are transported from generate points in appropriate labelled containers suit to the material. This prepares them for collection and handled by trained service providers.

To guarantee all of the collected hazardous waste is handled in a proper and legal manner by appropriate service providers, the contracts signed with the hazardous waste handling service providers are carefully formulated in accordance with the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, and the Regulations of Guangdong Province on the Prevention and Control of Environmental Pollution by Solid Waste. This ensures all collected hazardous materials are processed legally and properly through qualified disposal routes.

Environmental, Social & Governance Report *(Continued)*

Non-hazardous Waste

To minimise landfill disposal, all non-hazardous waste is separated into recyclables and non-recyclables categories. Workers are encouraged to reuse items, such as paper and packaging materials whenever feasible to extract further value. Proper labelled recyclables that are temporarily collected in approved designated areas meet regulatory standards before they are picked up by licensed recycling service companies. Non-recyclables are managed daily by the relevant local government department.

Energy Efficiency and GHG Emissions Control

To expedite the transition to a low-carbon economy, the Group is firmly committed to advancing energy efficiency and GHG emission control within its operations. Our Energy Efficiency and GHG Emission Control Plan outlines the strategy for managing energy use and associated emissions. Meeting pertinent targets requires diligent oversight of energy consumption and GHG emissions by all departments.

The following guidelines have been established to guide our efforts:

Electricity

- Replace conventional light bulbs/tubes with LED lighting
- Replace electricity-intensive types of machinery and electronic appliances with high electricity-efficiency ones
- Install meters in each dormitory room and workshop to monitor the electricity consumption pattern
- Utilise natural light when possible
- Acquired electric vehicle to replace diesel vehicle

Towngas & Vehicle Fuels

- Conduct regular inspections of company vehicles and gas pipelines to prevent leakage
- Provide maintenance to company vehicles and air compressors to increase vehicle fuels and town gas efficiency

Individual action complements company initiative, employees are encouraged to adopt daily energy-saving habits when possible. For example, workers should utilise natural light whenever possible and promptly turn off the lights and equipments upon leaving workplaces.

Raising awareness across our workforce is vital. To this end, employees receive training on the finest green practices to increase comprehensive of these imperative issues. Regular updates are also provided on Group energy and GHG emission targets, along with reporting protocols and reduction methodologies. This ensures company-wide alignment around our low-carbon objective.

In FY2023, the main sources of our energy consumption were electricity, town gas, and vehicle fuels. As of December 31, 2023, 6,725.97 MWh of energy were used, with a consumption intensity of 26.65 MWh/million HKD sales. The use of electricity, town gas, motor fuels, and refrigerants in the Group led to the emission of a total of 3,705.99 tCO_2e of GHG, with an intensity of 14.69 tCO_2e/million HKD sales. We have made the decision to increase the usage of renewable energy in our Hong Kong business in an effort to further minimise our energy consumption. Solar panels have been installed on the roof of our house in Hong Kong, which help us save 124,563 kg of CO_2e in 2023.

Use of Water Resources

Considering the importance of water resource stewardship, the Group has incorporated pertinent management and water conservation techniques in the Energy Conservation and Emission Reduction Management Process. Oversight of water infrastructure and usage data from our facilities falls within the administrative department's scope. Our established workplace initiatives also aim to encourage water-wise behaviour among staff across our operations. Examples of efforts undertaken include:

Water Conservation

- Conduct inspection and provide maintenance for water facilities to prevent water leakage
- Place water-saving signs near water taps to remind employees
- Include in-house water conservation practices in employee training
- Recycle and reuse cooling water in the production processes after proper treatment

The Group's Wastewater Management Process provides a systematic framework for safely handling all wastewater streams. Comprehensive instructions guide management of domestic and commercial effluent.

Untreated discharge from operational or food preparation areas is prohibited by municipal sewer systems. Oil and grease traps installed in staff kitchen sinks pre-treat drainage. Both industrial and culinary wastewater is contained in appropriate vessels. This prepares the fluids for collection and subsequent processing by a qualified wastewater services provider.

An accredited external inspector conducts annual monitoring. Their oversight confirms on-site wastewater mitigation efforts effectively satisfy all regulatory requirements prior to authorised disposal. Proper containment, pre-treatment and disposal route selection exemplify the Group's dedication to responsible stewardship of water resources. Overall, the systematic process and compliance verification through third-party audits demonstrate our commitment to protecting local water environments from potential pollutants.

As of December 2023, the Group consumed 88,310.60 m^3 freshwater, with an intensity of 349.96 m^3/million HKD sales. Approximately 93.5% of the water used was reused or recycled that only 5,740.00 m^3 wastewater was discharged, with an intensity of 22.75 m^3/million HKD sales. In FY2023, we did not encounter any problems in sourcing water in our daily operations.

Use of Materials

Our staff members are encouraged to contribute to a greener workplace through daily activities such as double-sided printing, recycling single-sided pages, and leveraging electronic communication channels to reduce unnecessary printing where possible. More broadly, we embrace the philosophies of recycling, reusing, and optimising supplies before disposal across our operations. For instance, we work with our printer supplier to utilise used toner cartridges rather than being provided new ones whenever feasible. Similarly, we strive to optimise our packaging practices through techniques that minimise material waste from shipping and receiving. These collective individual and institutional efforts demonstrate our commitment to sustainable resource management.

In FY2023, we consumed a total of 1.90 tonnes of paper at our offices and factories, with an intensity of 0.08 tonnes/million HKD sales. At the same time, a total of 101.78 tonnes of packaging materials were consumed, with an intensity of 0.40 tonnes/million HKD sales.

The Environmental and Natural Resources

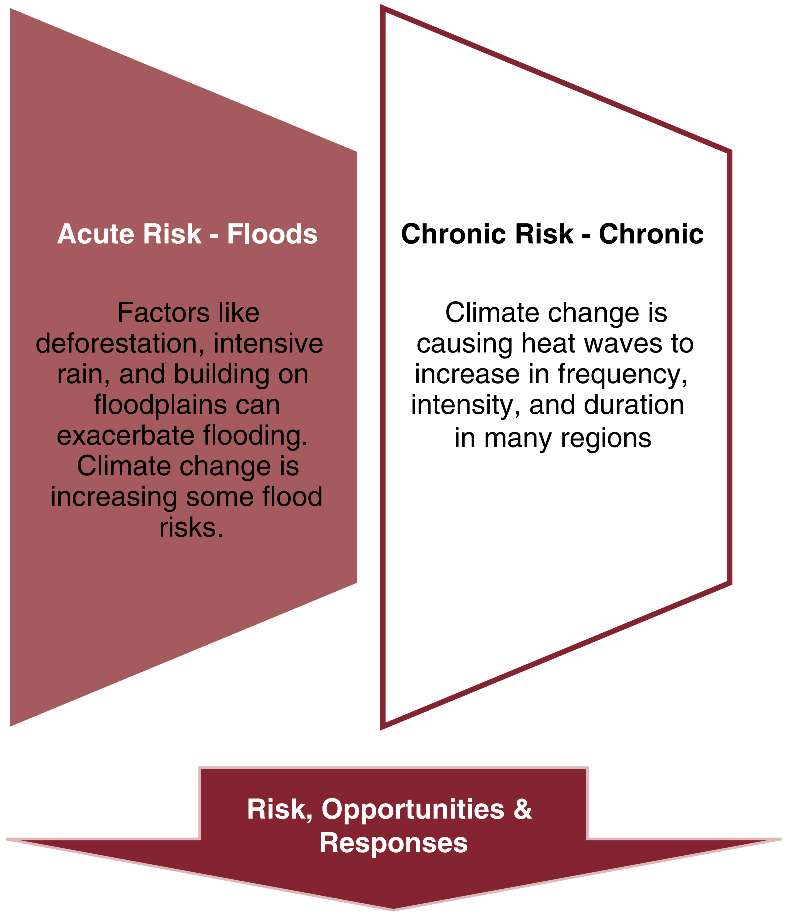
Environmental and natural resource preservation has always been a primary priority for us. The Group places a high priority on managing the waste generation, wastewater discharge, and GHG emissions from our industrial activities in order to lessen the negative effects on the environment. The Group has also employed noise mitigation methods to reduce noise produced by our production machinery in addition to the aforementioned control measures. To minimise annoyance to the neighbourhood and ensure that our operations comply with the required noise limits, monthly noise level inspections, and routine maintenance are in place.

The EHS Committee meets periodically to discuss EHS to assess the Group's environmental performance and the application of EHS. The Group has developed emergency protocols to deal with any unanticipated situations that might potentially have an impact on the environment.

Climate Change

The Group recognises that the long-term risks of climate change have far-reaching impact on our operations and business environment. With the purpose to enhance our climate change resilience, we have adopted the following countermeasures to minimise those impacts.

Climate Physical Risk



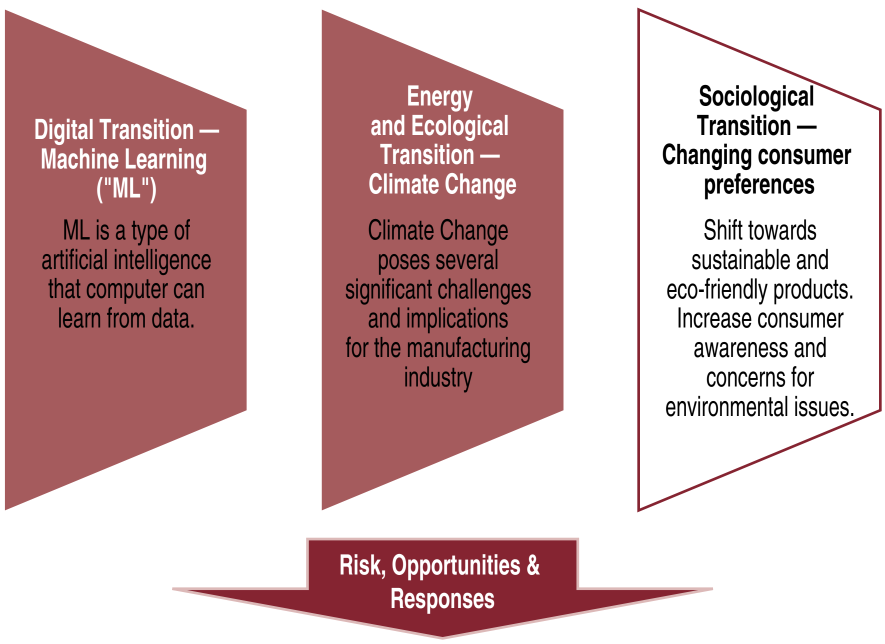
Trend	Risks description	Responses
Acute Risk (Floods)	The Group has manufacture factory in Southern China, which is more prone to flooding. Floods can cause damage to the facilities, ruin machinery and equipment, leading to production halts. Besides, floods can also cause supply chain and customer service issues, as well as disrupting resources and parts delivery, resulting in unfulfilling of orders. In terms of workforce impacts, road flooding can block commutes, causing staff shortages, which may hamper operation.	The Group will create emergency plans detailing actions, communication protocols and the responsible personnel for impending floods. We will also prioritise choosing suppliers with their own contingency plans for relevant acute risks. Besides, the Group will inform customers upfront of the potential delay when facing such issues.

Environmental, Social & Governance Report *(Continued)*

Trend	Risks description	Responses
Chronic Risk (Chronic heat waves)	The Group encounters production disruptions when facing extreme heat, as it can force temporary shutdowns of factories and production lines if facilities fail to regulate temperatures safely for workers and machinery. In addition, we would also face workers' health and safety issues, as prolonged heat exposure poses risks such as heat stress, exhaustion, and heat stroke. This can lead to increased accidents and injuries. Besides, damage would also be done to our equipment, as machinery and electrical equipment may malfunction or degrade faster when exposed to high heat over prolong periods without proper cooling.	The Group will enhance the facilities' ventilation and cooling systems, to provide a suitable environment for the workers and equipment.

Opportunities
By investing in advance ventilation, insulation and cooling systems, the Group can decrease energy costs and carbon footprint in a long term. This can improve the efficiency and sustainability of Kader.

Climate Transition Risk



Trends	Risks description	Responses
Digital Transition – ML	Given the dynamic nature of customer preferences, ML has emerged as a crucial tool to maintain companies' competitiveness in the market. Currently, Kader does not possess ML capabilities, which may potentially impact our long-term marketing effectiveness compared to our industry peers.	It is important to acknowledge that the acquisition and implementation of ML and artificial intelligence technologies within our manufacturing and sales systems may entail significant costs, both financially and operationally. Financially, we have to consider investments in hardware, infrastructure, software, and tools, as well as training and expertise. Non-financial implications include dedicating time and resources in managing an increased workload and training requirements, as well as ensuring robust data privacy and security measures. We will consider the implications thoroughly to obtain a balanced solution.
Opportunities		
By leveraging ML, the Group can utilise sensor data to predict equipment failures, maximise uptime, and enhance the efficiency of low-emission systems within their factories. Additionally, ML can optimise the supply chain by streamlining logistics and implementing digital inventory control, thereby reducing transportation emissions through just-in-time manufacturing. ML also plays a significant role in meeting the increasing demand for Scope 3 emission disclosure and impact reporting in Hong Kong, aligning with the expectations set by the HKEx. HKEx has outlined that issuers are expected to be fully compliant with the new climate-related disclosure requirements starting from 1st January 2026[5].		

5 HKEX_Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/April-2023-Climate-related-Disclosures/Consultation-Paper/cp202304.pdf

Trends	Risks description	Responses
Energy & Ecological Transition (Climate Change)	As a manufacturing company, we are constantly affected by and affecting climate change. Manufacturing processes contribute to majority of greenhouse emission in Mainland China, accounted for 25% in 2021[6], which is a major cause of climate change. This could lead to regulatory pressure, as government and international bodies are implementing stricter regulations and policies to combat climate change. We may face emission reduction targets, carbon pricing, and stricter environmental standards. Compliance with these regulations can require significant investments in cleaner technologies, energy-efficient practices, and sustainable sourcing.	We recognise the importance and urgency of leveraging innovative technologies in our efforts to mitigate climate change. Going forward, we are committed to exploring opportunities to develop more sustainable products and solutions.

Opportunities

Climate change poses challenges, but it also presents opportunities for Kader as we prioritise sustainable practices. Embracing this shift allows us to explore the potential of green technologies driven by the increasing demand for environmentally friendly products. Additionally, by improving energy efficiency throughout our manufacturing processes, such as increasing the usage of renewable energy, we can simultaneously mitigate greenhouse gas emissions and achieve cost savings.

6 Statista_Distribution of carbon dioxide emissions from energy use in China in 2021, by sector https://www.statista.com/statistics/1088662/china-share-of-energy-related-carbon-dioxide-emissions-by-sector/

Trends	Risks description	Responses
Sociological Transition (Changing consumer preference)	The Group is a leading plastics and toy manufacturer, the sales might be affected by the increasing consumers concerns on environmental issues. This shift can impact the plastic manufacturing sector, as consumers may seek alternatives to traditional plastic toys and products. There are also increasing emphasis on Health and Safety. Consumers prioritise safety, especially on children's toys. There may be a demand for non-toxic materials such as wood. The safety standards might also become stricter, and certificates might be prioritised when consumers decide on whether or not to purchase. This might affect the cost and raw material to be manufactured.	As a leading provider of plastic products and children's toys, we strive to meet the diverse needs of our varied customer base. Looking ahead, we are committed to innovation that supports the growing demand for more sustainable options. With an eye towards the future, we are dedicated to responsibly leading the industry evolution towards a more circular economy and low-carbon business model.

Opportunities
The Group embraces sustainability and will explore eco-friendly toy options, for example, the production of biodegradable plastics, which can attract eco-conscious consumers and also differentiate our brand in the traditional market.

Environmental, Social & Governance Report *(Continued)*

PERFORMANCE DATA SUMMARY

	Unit	FY2023	FY2022
Total number of employees	**number**	**594**	**751**
By gender			
Male	number	217	278
Female	number	377	473
By employment type			
Full-time	number	594	751
Part-time	number	0	0
By age			
<30 years old	number	40	76
30 – 50 years old	number	413	515
>50 years old	number	141	160
By geographical region			
Hong Kong	number	68	69
Mainland China	number	526	682
Occupational health and safety performance			
Number of work-related fatalities	number	0	0
Rate of work-related fatalities	percentage	0	0
Lost days due to work-related injury	days	379	102

	Unit	FY2023	FY2022
Training and development[7]			
Percentage of employees trained by gender			
Male	percentage	38.75	52.28
Female	percentage	61.25	47.72
Percentage of employees trained by employee category			
Management	percentage	1.04	0.61
General staff	percentage	98.96	99.39
Average training hours by gender[8]			
Male	hours	1.51	2.01
Female	hours	1.51	2.00
Average training hours by employee category			
Management	hours	2.00	3.00
General staff	hours	1.50	2.00
Total number of suppliers	**number**	**98**	**104**
By geographical region			
Hong Kong	number	34	46
Mainland China	number	54	52
Others	number	10	6

7 The percentage calculation is done by dividing the number of trained employees in the specific category by the total number of trained employees.

8 The average training hours calculation method is dividing the number of training hours of employees in the specific category by the total number of employees in the specific category.

Environmental, Social & Governance Report *(Continued)*

	Unit	FY2023	FY2022
Energy consumption[9]			
Direct energy consumption	MWh	130.64	129.68
– Unleaded petrol	MWh	130.64	129.68
Indirect energy consumption	MWh	6,595.33	8,116.92
– Purchased electricity	MWh	6,508.05	8,006.15
– Towngas	MWh	87.28	110.77
Total energy consumption	MWh	6,725.97	8,246.60
Intensity	MWh/million HKD sales	26.65	32.03
Paper consumption			
Office paper	tonnes	1.90	1.23
Intensity	tonnes/million HKD sales	0.008	0.005
Packaging materials			
Carton box	tonnes	67.90	86.34
Paper	tonnes	33.88	52.57
Total	tonnes	101.78	138.91
Intensity	tonnes/million HKD sales	0.40	0.54
Waste generation			
Hazardous waste			
– Chemical waste	tonnes	1.40	1.90
Intensity	tonnes/million HKD sales	0.006	0.007
Non-hazardous waste	tonnes	14.95	10.19
– Waste paper	tonnes	11.81	6.69
– Waste plastic	tonnes	3.14	3.50
Intensity	tonnes/million HKD sales	0.06	0.04

[9] Our energy consumption is fixed operation usage for office and manufacturing facilities.

	Unit	FY2023	FY2022
Water resources			
Freshwater consumption	m^3	88,310.60	162,702.00
Intensity	m^3/million HKD sales	349.96	631.65
Wastewater discharge	m^3	5,740.00	5644.54
Intensity	m^3/million HKD sales	22.75	21.91
Greenhouse gas emissions[10]			
Scope 1[11]	tCO_2e	197.88	178.94
Scope 2[12]	tCO_2e	3,500.25	4,435.35
Scope 3[13]	tCO_2e	7.87	6.71
Total	tCO_2e	3,705.99	4,621.00
Intensity	tCO_2e/million HKD sales	14.69	17.94
Air emissions[14]			
Nitrogen oxides	kg	7.47	7.64
Sulphur oxides	kg	0.22	0.22
Particulate matter	kg	0.46	0.44
Xylene	kg	138.00	192.00
Toluene	kg	138.00	60.00

10 The GHG emission is calculated based on the "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs", published by HKEx and international standards such as the GHG Protocol: A Corporate Accounting and Reporting Standard.

11 Scope 1 represents direct GHG emissions generated by the use of towngas, unleaded petrol, and refrigerant.

12 Scope 2 represents indirect GHG emissions generated by the use of towngas and electricity.

13 Scope 3 represents indirect GHG emissions generated by water consumption and wastewater discharge.

14 Air emissions include the emissions generated by the consumption of towngas and vehicle fuels. In 2023, we have enhanced our data collection methodology to include emission of benzene and toluene from our factory.

Environmental, Social & Governance Report *(Continued)*

HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
Aspect A: Environment		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	ENVIRONMENTAL SUSTAINABILITY – Air Emission Control, Waste Management, Energy Efficiency and GHG Emissions Control, Use of Water Resources
KPI A1.1	The types of emissions and respective emissions data.	ENVIRONMENTAL SUSTAINABILITY – Air Emission Control, Waste Management, Energy Efficiency and GHG Emissions Control, Use of Water Resources PERFORMANCE DATA SUMMARY
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY – Energy Efficiency and GHG Emissions Control PERFORMANCE DATA SUMMARY

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY – Waste Management PERFORMANCE DATA SUMMARY
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY – Waste Management PERFORMANCE DATA SUMMARY
KPI A1.5	Description of measures to mitigate emissions and results achieved.	ENVIRONMENTAL SUSTAINABILITY – Air Emission Control, Waste Management, Energy Efficiency and GHG Emissions Control, Use of Water Resources PERFORMANCE DATA SUMMARY
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	ENVIRONMENTAL SUSTAINABILITY – Waste Management PERFORMANCE DATA SUMMARY
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	ENVIRONMENTAL SUSTAINABILITY – Energy Efficiency and GHG Emissions Control, Use of Water Resources, Use of Materials

Environmental, Social & Governance Report *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY – Energy Efficiency & GHG Emissions Control PERFORMANCE DATA SUMMARY
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY – Use of Water Resources PERFORMANCE DATA SUMMARY
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	ENVIRONMENTAL SUSTAINABILITY – Energy Efficiency and GHG Emissions Control PERFORMANCE DATA SUMMARY
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	ENVIRONMENTAL SUSTAINABILITY – Use of Water Resources PERFORMANCE DATA SUMMARY
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	ENVIRONMENTAL SUSTAINABILITY – Use of Materials PERFORMANCE DATA SUMMARY

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	ENVIRONMENTAL SUSTAINABILITY – The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENTAL SUSTAINABILITY – The Environment and Natural Resources
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	ENVIRONMENTAL SUSTAINABILITY – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ENVIRONMENTAL SUSTAINABILITY – Climate Change
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	A RESPONSIBLE EMPLOYER – Employment Practices
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	A RESPONSIBLE EMPLOYER – Employment Practices PERFORMANCE DATA SUMMARY

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	A RESPONSIBLE EMPLOYER – Employment Practices PERFORMANCE DATA SUMMARY
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	A RESPONSIBLE EMPLOYER – Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	A RESPONSIBLE EMPLOYER – Occupational Health and Safety PERFORMANCE DATA SUMMARY
KPI B2.2	Lost days due to work injury.	A RESPONSIBLE EMPLOYER – Occupational Health and Safety PERFORMANCE DATA SUMMARY
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Occupational Health and Safety PERFORMANCE DATA SUMMARY

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	A RESPONSIBLE EMPLOYER – Staff Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	A RESPONSIBLE EMPLOYER – Staff Development PERFORMANCE DATA SUMMARY
KPI B3.2	The average training hours completed per employee by gender and employee category.	A RESPONSIBLE EMPLOYER – Staff Development PERFORMANCE DATA SUMMARY
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	A RESPONSIBLE EMPLOYER – Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	A RESPONSIBLE EMPLOYER – Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	A RESPONSIBLE EMPLOYER – Child and Forced Labour
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	A RESPONSIBLE EMPLOYER – Supply Chain Management

Environmental, Social & Governance Report *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI B5.1	Number of suppliers by geographical region.	A RESPONSIBLE EMPLOYER – Supply Chain Management PERFORMANCE DATA SUMMARY
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	A RESPONSIBLE PRODUCER – Stakeholder Privacy and Intellectual Property Rights Protection, Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	A RESPONSIBLE PRODUCER – Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	A RESPONSIBLE PRODUCER – Product Responsibility

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	A RESPONSIBLE PRODUCER – Stakeholder Privacy and Intellectual Property Rights Protection
KPI B6.4	Description of quality assurance process and recall procedures.	A RESPONSIBLE PRODUCER – Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	A RESPONSIBLE PRODUCER – Stakeholder Privacy and Intellectual Property Rights Protection
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	A RESPONSIBLE PRODUCER – Business Conduct
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	A RESPONSIBLE PRODUCER – Business Conduct
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	A RESPONSIBLE PRODUCER – Business Conduct
KPI B7.3	Description of anti-corruption training provided to directors and staff.	A RESPONSIBLE PRODUCER – Business Conduct

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	A RESPONSIBLE PRODUCER – Community Involvement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	A RESPONSIBLE PRODUCER – Community Involvement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	A RESPONSIBLE PRODUCER – Community Involvement In FY2023, the Group did not participate in volunteer work due to COVID-19 pandemic. However, we utilised the use of local suppliers as a means to contribute the community where we locate and operate.

Independent Auditor's Report

KPMG

to the shareholders of Kader Holdings Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Kader Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 90 to 189, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS (CONTINUED)

Valuation of investment properties

Refer to note 11 to the consolidated financial statements and note 1(g) to the accounting policies.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2023 the Group held investment properties, which comprised industrial buildings located in Hong Kong, the United Kingdom and Singapore and commercial buildings located in Japan, with an aggregate fair value of HK$2,024 million and accounted for 68% of the Group's total assets at that date. The fair values of the investment properties at 31 December 2023 were assessed by the directors primarily based on independent valuation reports prepared by qualified external property valuers. The net change in fair value of investment properties recorded in the consolidated statement of profit or loss amounted to a loss of HK$58 million for the year ended 31 December 2023. We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the change in the fair value of investment properties to the Group's loss for the year and because the valuation of investment properties can be inherently subjective and requires significant judgements and estimates, particularly in selecting the appropriate valuation methodology, capitalisation rates and market rents.	Our audit procedures to assess the valuation of investment properties included the following: • obtaining and inspecting the valuation reports prepared by external property valuers engaged by management and on which the directors' assessment of the fair value of investment properties was based; • assessing the external property valuers' qualifications, experience and expertise in the locations and types of properties subject to valuation and considering their objectivity and independence; • with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology with reference to the requirements of the prevailing accounting standards and challenging the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data and by utilising the industry knowledge and experience of our internal property valuation specialists for the investment properties located in Hong Kong; and • comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of property, plant and equipment in the toys and model trains segment

Refer to note 11 to the consolidated financial statements and note 1(h) to the accounting policies.

The Key Audit Matter

The carrying value of the Group's other property, plant and equipment amounted to HK$237 million at 31 December 2023. The Group's other property, plant and equipment principally comprised land and buildings together with plant and equipment used in the toys and model trains segment of the Group.

Given the global economic conditions and market competition in the toys and model trains sector, management considered that there is a risk that the carrying value of these assets may not be fully recoverable through future cash flows to be generated from operations or from their disposal and determined that an impairment assessment of these assets was required.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment in the toys and model trains segment included the following:

- evaluating management's identification of the CGU which comprised the toys and model trains segment and the allocation of assets to that CGU;
- with the assistance of our internal valuation specialists, assessing the methodology adopted in the preparation of the discounted cash flow forecast by management, with reference to the requirements of the prevailing accounting standards, and whether the discount rate adopted in the discounted cash flow forecast was within the normal range of those of comparable entities;
- comparing the most significant inputs used in the discounted cash flow forecast, including future revenue and future margins to the historical performance of the CGU and publicly available information, taking into account recent developments in the toys and model trains sector, the Group's future business plans and the financial budget which was approved by the directors;

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of property, plant and equipment in the toys and model trains segment (continued)

Refer to note 11 to the consolidated financial statements and note 1(h) to the accounting policies.

The Key Audit Matter	How the matter was addressed in our audit
The recoverable amount of property, plant and equipment relating to the toys and model trains segment is determined by management based on the value in use of these assets. Management prepared a discounted cash flow forecast, taking into consideration subjective factors such as the discount rate, future revenue, future margins and future cost growth rates. The net present value of the cash flow forecast was compared with the carrying value of the cash generating unit ("CGU") to which the relevant property, plant and equipment was allocated to determine whether any impairment loss should be recognised. We identified the potential impairment of property, plant and equipment in the toys and model trains segment of the Group as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and in determining the discount rate applied in the impairment assessment, both of which are inherently uncertain and could be subject to management bias.	• comparing the relevant revenue and operating costs included in the discounted cash flow forecast prepared by management in the prior year with the current year's actual performance to assess the accuracy of the prior year's forecast and making enquiries of management as to the reasons for any significant variations identified; and • obtaining from management sensitivity analyses of both revenue and the discount rate and assessing the impact of changes in these key assumptions on the conclusions reached in the impairment assessment and whether there were any indicators of management bias.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report *(Continued)*

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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sylvene Fong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 HK$'000	2022 HK$'000
Revenue	3, 10	**372,543**	351,967
Other revenue and other net income/(loss)	4	**21,621**	(8,998)
Changes in inventories of finished goods and work in progress		**15,941**	47,599
Cost of purchase of finished goods		**(56,015)**	(54,393)
Raw materials and consumables used		**(16,829)**	(31,014)
Staff costs	5(b)	**(163,223)**	(170,402)
Depreciation	11	**(41,037)**	(39,532)
Other operating expenses	5(c)	**(109,400)**	(116,267)
Profit/(loss) from operations		**23,601**	(21,040)
Finance costs	5(a)	**(35,199)**	(13,871)
Share of profits less losses of associates	14	**(15,893)**	(14,577)
Impairment loss of loans to an associate		**(1,128)**	(891)
Deficit on revaluation of investment properties	11	**(57,643)**	(40,788)
Loss before taxation	5	**(86,262)**	(91,167)
Income tax credit	6	**12,824**	6,202
Loss for the year		**(73,438)**	(84,965)
Attributable to:			
Equity shareholders of the Company		**(74,634)**	(86,384)
Non-controlling interests		**1,196**	1,419
Loss for the year		**(73,438)**	(84,965)
Loss per share	9		
Basic		**(7.85)¢**	(9.09)¢
Diluted		**(7.85)¢**	(9.09)¢

The notes on pages 97 to 189 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	2023 *HK$'000*	2022 *HK$'000*
Loss for the year	**(73,438)**	(84,965)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK$Nil tax	**9,157**	(5,466)
Total comprehensive income for the year	**(64,281)**	(90,431)
Attributable to:		
Equity shareholders of the Company	**(65,287)**	(91,361)
Non-controlling interests	**1,006**	930
Total comprehensive income for the year	**(64,281)**	(90,431)

The notes on pages 97 to 189 form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	At 31 December 2023 HK$'000	At 31 December 2022 HK$'000
Non-current assets			
Investment properties	11	**2,023,641**	2,073,199
Other property, plant and equipment	11	**237,134**	187,173
		2,260,775	2,260,372
Intangible assets	12	**318**	352
Interest in associates	14	**61,342**	59,834
Other financial assets	16	**59,320**	53,927
Deposits and prepayments	15	**62,435**	65,233
Deferred tax assets	24(b)	**18,834**	15,350
		2,463,024	2,455,068
Current assets			
Trading securities	17	**10,076**	10,173
Inventories	18(a)	**285,136**	255,569
Current tax recoverable	24(a)	**310**	371
Loans to associates	14	**51,518**	50,362
Trade and other receivables	19	**105,882**	101,583
Cash and cash equivalents	20(a)	**80,126**	81,217
		533,048	499,275
Current liabilities			
Trade and other payables and contract liabilities	21	**142,437**	152,684
Bank loans	22	**646,707**	509,381
Lease liabilities	23	**7,662**	7,624
Current tax payable	24(a)	**23,475**	35,508
		820,281	705,197
Net current liabilities		**(287,233)**	(205,922)

Consolidated Statement of Financial Position *(Continued)*

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	At 31 December 2023 HK$'000	At 31 December 2022 HK$'000
Total assets less current liabilities		**2,175,791**	2,249,146
Non-current liabilities			
Bank loans	22	**12,307**	11,942
Lease liabilities	23	**18,018**	26,117
Rental deposits	25	**–**	3,637
Deferred tax liabilities	24(b)	**30,499**	28,222
Accrued employee benefits	26	**147**	127
		60,971	70,045
NET ASSETS		**2,114,820**	2,179,101
CAPITAL AND RESERVES			
Share capital	27(c)	**95,059**	95,059
Reserves		**2,012,879**	2,078,166
Total equity attributable to equity shareholders of the Company		**2,107,938**	2,173,225
Non-controlling interests		**6,882**	5,876
TOTAL EQUITY		**2,114,820**	2,179,101

Approved and authorised for issue by the Board of Directors on 27 March 2024.

Kenneth Ting Woo-shou
Director

Lao Wai-keung
Director

The notes on pages 97 to 189 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital reserve	Contributed surplus	Exchange reserve	Land and buildings revaluation reserve	Retained profits	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2022	95,059	185,138	10,815	173,397	(25,221)	82,055	1,743,343	2,264,586	4,946	2,269,532
Loss for the year	–	–	–	–	–	–	(86,384)	(86,384)	1,419	(84,965)
Other comprehensive income	–	–	–	–	(4,977)	–	–	(4,977)	(489)	(5,466)
Total comprehensive income	–	–	–	–	(4,977)	–	(86,384)	(91,361)	930	(90,431)
Balance at 31 December 2022 and 1 January 2023	**95,059**	**185,138**	**10,815**	**173,397**	**(30,198)**	**82,055**	**1,656,959**	**2,173,225**	**5,876**	**2,179,101**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(74,634)**	**(74,634)**	**1,196**	**(73,438)**
Other comprehensive income	**–**	**–**	**–**	**–**	**9,347**	**–**	**–**	**9,347**	**(190)**	**9,157**
Total comprehensive income	**–**	**–**	**–**	**–**	**9,347**	**–**	**(74,634)**	**(65,287)**	**1,006**	**(64,281)**
Balance at 31 December 2023	**95,059**	**185,138**	**10,815**	**173,397**	**(20,851)**	**82,055**	**1,582,325**	**2,107,938**	**6,882**	**2,114,820**

The notes on pages 97 to 189 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 HK$'000	2022 HK$'000
Operating activities			
Cash generated from/(used in) operations	20(b)	**14,015**	(2,507)
Tax paid:			
Hong Kong Profits Tax paid		**(106)**	(63)
Hong Kong Profits Tax refunded		**–**	31
Tax outside Hong Kong paid		**(247)**	(16)
Tax outside Hong Kong refunded		**198**	240
Net cash generated from/(used in) operating activities		**13,860**	(2,315)
Investing activities			
Payment for additions of investment properties		**(46,133)**	(499)
Payment for the purchase of other property, plant and equipment		**(27,820)**	(52,866)
Proceeds from sale of other property, plant and equipment		**53**	19
Increase in non-current deposits and prepayments		**(17,071)**	(51,104)
Payment for purchase of other financial assets		**(5,207)**	(14,550)
Payment for purchase of trading securities		**(960)**	(5,263)
Proceeds from sale of trading securities		**827**	5,010
Interest received		**460**	490
Dividend income received		**460**	404
Capital injection to an associate		**(17,550)**	(2,438)
(Increase)/decrease in amounts due from associates		**(478)**	3,800
Loans advanced to associates		**(1,950)**	(7,411)
Loans repaid by an associate		**1,950**	–
Net cash used in investing activities		**(113,419)**	(124,408)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 HK$'000	2022 HK$'000
Financing activities			
Capital element of lease rentals paid	20(d)	**(7,562)**	(7,748)
Interest element of lease rentals paid	20(d)	**(1,168)**	(1,566)
Proceeds from new bank loans	20(d)	**903,537**	719,000
Repayment of bank loans	20(d)	**(766,703)**	(571,931)
Bank borrowing costs paid	20(d)	**(34,031)**	(12,305)
Net cash generated from financing activities		**94,073**	125,450
Net decrease in cash and cash equivalents		**(5,486)**	(1,273)
Cash and cash equivalents at 1 January		**81,217**	88,050
Effect of foreign exchange rate changes		**4,395**	(5,560)
Cash and cash equivalents at 31 December	20(a)	**80,126**	81,217

The notes on pages 97 to 189 form part of these financial statements.

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

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

– investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 1(g)); and

– debt and equity investments (see note 1(f)).

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

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

The Group recorded net current liabilities of HK$287,233,000. Despite the net current liabilities as at 31 December 2023, the Group's cash and cash equivalents amounted to HK$80,126,000 on the same day. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 December 2023 and the unutilised banking facilities of HK$140,706,000 at the date of approval of the financial statements by the Board, the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, an interest in a subsidiary is stated at cost less any impairment losses (see note 1(k)(ii)).

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Associates *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)(ii)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(f) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investment other than equity investments

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iii)).

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(f) Other investments in debt and equity securities *(continued)*

(ii) Equity investments

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

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(ii).

(h) Other property, plant and equipment

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

– ownership interests in land and buildings held for own use;

– other properties leased for own use (see note 1(j)); and

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

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(h) Other property, plant and equipment *(continued)*

If ownership interests in land and buildings held for own use becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at that date of transfer is recognised in profit or loss and other comprehensive income and accumulated in land and buildings revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

(i) Ownership interests in land and buildings held for own use and other properties leased for own use are depreciated over the unexpired term of lease.

(ii) Freehold land is not depreciated.

(iii) Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after date of completion.

(iv) Other items of plant and equipment, including right-of-use assets arising from leases of underlying equipment, are at the following rates:

Plant and machinery	10% to 25% per annum
Furniture and fixtures	20% to 25% per annum
Moulds and tools	10% to 30% per annum
Motor vehicles and pleasure craft	10% to 30% per annum

Where parts of an item of other property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Club memberships	20 years
–	Licensing rights	3 to 5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

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

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

(j) Leased assets *(continued)*

(i) As a lessee (continued)

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

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

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

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

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

(ii) As a lessor

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

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

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to an associate).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Measurement of ECLs *(continued)*

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

Loss allowances for trade receivables, lease-receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loans to an associate), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling) for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income *(continued)*

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract 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.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets (other than investment property carried at revalued amounts);

– intangible assets;

– goodwill;

– interest in associates; and

– interest in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual CGU if the allocation can be done on a reasonable and consistent basis, or to the smallest group of CGUs if otherwise.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(l) Inventories *(continued)*

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(m) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(k)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(t).

(n) Cash and cash equivalents

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

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method.

(p) Trade and other payables

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

(q) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(u)(i)). 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 (see note 1(m)).

(r) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

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

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in profit or loss and other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in profit or loss and other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

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

(u) Revenue and other income

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

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, 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.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(u) Revenue and other income *(continued)*

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

(i) Sale of goods

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the group is expected to be entitled. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

(iv) Air-conditioning, management and maintenance service charges from tenants

Air-conditioning, management and maintenance service charges from tenants are recognised when the related services are rendered.

(v) Material charges

Material charges are recognised when the right to receive payment is established.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in profit or loss and other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(x) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

1 MATERIAL ACCOUNTING POLICIES *(continued)*

(y) Segment reporting

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

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

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. 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 abolition of offsetting mechanism effective from 1 May 2025. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activities of the Group are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment and investment holding.

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods	**322,751**	302,379
Revenue from other sources		
– Gross rentals from investment properties that the lease payments are fixed	**49,792**	49,588
	372,543	351,967

Revenue from the sales of goods is recognised at the point in time when control of the goods is transferred to the customers.

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 10(c).

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue in 2023 and 2022. Details of concentrations of credit risk arising from customers are set out in note 28(a).

Further details regarding the Group's principal ac124tivities are disclosed in note 10 to these financial statements.

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2023	2022
	HK$'000	HK$'000
Other revenue		
Interest income from loans to associates	**2,504**	2,768
Other interest income	**1,405**	258
Dividend income	**460**	404
Air conditioning, management and maintenance service charges from tenants	**5,023**	5,348
Gain on termination of lease contracts	**–**	389
COVID-19-related rent concessions received	**–**	6
Management service fee	**1,473**	1,359
Government grants *(note (i))*	**–**	1,535
Material charges	**379**	281
Sundry income	**2,210**	1,396
	13,454	13,744
Other net income/(loss)		
Net gain on disposal of other property, plant and equipment	**53**	14
Net gain on disposal of subsidiary	**17**	–
Net realised and unrealised exchange gain/(loss)	**8,163**	(14,037)
Net realised and unrealised loss on trading securities	**(291)**	(2,624)
Net realised and unrealised gain/(loss) on other financial assets	**225**	(6,095)
	8,167	(22,742)
	21,621	(8,998)

(i) In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. No funding support was granted in 2023.

5 LOSS BEFORE TAXATION

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

	2023 HK$'000	2022 HK$'000
(a) Finance costs		
Interest on bank loans *(note 20(d))*	**34,031**	12,305
Interest on lease liabilities *(note 20(d))*	**1,168**	1,566
	35,199	13,871
(b) Staff costs		
Salaries, wages and other benefits	**147,492**	155,030
Employer's contributions to defined contribution retirement plans	**15,731**	15,372
	163,223	170,402
(c) Other operating expenses		
Other operating expenses for the year included:		
Amortisation of intangible assets *(note 12)*	**34**	33
Addition of/(reversal of) impairment losses of		
– trade receivables *(note 28(a))*	**70**	(523)
– other receivables	**44**	99
	114	(424)
Auditors' remuneration		
– audit services	**4,663**	5,028
– non-assurance services	**184**	175
Advertising and promotion	**7,770**	8,359
Building management and security service fee	**5,246**	4,744
Entertainment	**3,092**	2,587
Fuel, electricity and water	**8,370**	8,840
Government rent and rates	**2,362**	2,207
Insurance	**4,366**	3,771
Legal and professional fee	**5,726**	7,463
Office supplies	**1,260**	1,194
Expenses relating to short-term leases	**154**	430
Postage, telephone and fax	**2,064**	2,357
Product testing fee	**404**	535
Repair and maintenance	**3,363**	4,033
Research and development	**779**	319
Royalties, commission and sales service fee	**8,510**	9,859
Subcontracting fee	**22,793**	27,995
Subscription fee	**230**	208
Tools and consumables	**1,465**	2,032
Transportation and travelling	**13,756**	13,457

5 LOSS BEFORE TAXATION *(continued)*

	2023	2022
	HK$'000	*HK$'000*
(d) Other items		
Depreciation *(note 11)*		
– owned assets	**31,131**	29,087
– right-of-use assets	**9,906**	10,445
Cost of inventories *(note 18(b))*	**183,413**	181,972
Reversal of write down of inventories	**(3,938)**	(3,334)
Rental receivable from investment properties less direct outgoings of HK$7,154,000 (2022: HK$6,088,000)	**(42,638)**	(43,500)

Cost of inventories includes HK$77,216,000 (2022: HK$87,017,000) relating to staff costs, depreciation charges in respect of other property, plant and equipment and lease expenses, which amount is also included in the respective total amounts disclosed separately above and in the consolidated statement of profit or loss for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**93**	26
Over-provision in respect of prior years	**(13,983)**	(2,066)
	(13,890)	(2,040)
Current tax – Outside Hong Kong		
Provision for the year	**2,587**	102
Under/(over-provision) in respect of prior years	**139**	(42)
	2,726	60
Deferred tax *(note 24(b))*		
Origination and reversal of temporary differences	**(1,660)**	(4,222)
	(12,824)	(6,202)

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year.

The Corporate Income Tax ("CIT") rate applicable to subsidiaries registered in the People's Republic of China ("PRC") is 25% (2022: 25%).

The Corporation tax rates applicable to the Group's operations in the United Kingdom (the "UK") and the United States (the "US") are 23.5% (2022: 19%) and 21% (2022: 21%) respectively.

Taxation for other subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

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

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2023	2022
	HK$'000	*HK$'000*
Loss before taxation	**(86,262)**	(91,167)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(43,470)**	(16,580)
Tax effect of non-deductible expenses	**52,765**	22,093
Tax effect of non-taxable income	**(9,268)**	(10,611)
Tax effect of previously unrecognised tax losses utilised	**(10)**	(95)
Tax effect of unused tax losses not recognised	**449**	2,402
Tax effect of other temporary difference not recognised	**554**	(2,001)
Over-provision in prior years	**(13,844)**	(2,108)
Others	**–**	698
Income tax credit	**(12,824)**	(6,202)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Kenneth Ting Woo-shou	100	600	–	60	760
Nancy Ting Wang Wan-sun	80	–	–	–	80
Ivan Ting Tien-li	70	1,491	–	183	1,744
Lao Wai-keung	60	1,258	103	124	1,545
Non-executive director:					
Bernie Ting Wai-cheung	80	–	–	–	80
Independent non-executive directors:					
Floyd Chan Tsoi-yin	120	–	–	–	120
Andrew Yao Cho-fai	120	–	–	–	120
Desmond Chum Kwan-yue	120	–	–	–	120
Sabrina Chao Sih-ming	90	–	–	–	90
Liu Zhen Rong, Daryl (appointed on 1 July 2023)	45	–	–	–	45
	885	3,349	103	367	4,704

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

7 DIRECTORS' EMOLUMENTS *(continued)*

	2022				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Kenneth Ting Woo-shou	100	600	50	60	810
Nancy Ting Wang Wan-sun	80	–	–	–	80
Ivan Ting Tien-li	70	1,498	114	182	1,864
Lao Wai-keung	60	1,224	100	122	1,506
Non-executive director:					
Bernie Ting Wai-cheung	80	–	–	–	80
Independent non-executive directors:					
Floyd Chan Tsoi-yin	120	–	–	–	120
Andrew Yao Cho-fai	120	–	–	–	120
Desmond Chum Kwan-yue	120	–	–	–	120
Sabrina Chao Sih-ming	90	–	–	–	90
	840	3,322	264	364	4,790

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: one) are directors whose emolument is set out in note 7. The aggregate of the emoluments in respect of the other three (2022: four) individuals are as follows:

	2023	2022
	HK$'000	*HK$'000*
Salaries and other emoluments	**5,761**	7,143
Retirement scheme contributions	**54**	450
	5,815	7,593

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

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

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$74,634,000 (2022: HK$86,384,000) and the weighted average of 950,588,000 ordinary shares (2022: 950,588,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The Company did not have dilutive potential ordinary shares outstanding during both 2023 and 2022. Accordingly, the diluted loss per share is the same as the basic loss per share for both 2023 and 2022.

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys and model trains:	The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located in Mainland China.
Property investment:	The leasing of office premises, commercial building and industrial buildings to generate rental income and to gain from the appreciation in the properties' value in the long term.
Investment holding:	The investment in securities.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible assets and current assets with the exception of intangible assets, interest in associates, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to associates and other corporate assets. Segment liabilities include all liabilities with the exception of amount due to an associate, current tax payable, deferred tax liabilities and other corporate liabilities.

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

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

10 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**322,751**	302,379	**49,792**	49,588	**–**	–	**372,543**	351,967
Inter-segment revenue	**–**	–	**4,106**	1,758	**–**	–	**4,106**	1,758
Reportable segment revenue	**322,751**	302,379	**53,898**	51,346	**–**	–	**376,649**	353,725
Reportable segment profit/(loss) (adjusted EBITDA)	**17,625**	(9,114)	**31,964**	39,041	**(6,538)**	(2,404)	**43,051**	27,523
Interest income	**220**	209	**4**	–	**3,685**	2,817	**3,909**	3,026
Interest expenses	**(27,346)**	(13,871)	**(7,853)**	–	**–**	–	**(35,199)**	(13,871)
Depreciation and amortisation for the year	**(38,455)**	(39,356)	**(2,616)**	(44)	**–**	(165)	**(41,071)**	(39,565)
Reportable segment assets	**586,857**	562,820	**2,144,977**	2,139,785	**256,514**	449,966	**2,988,348**	3,152,571
Additions to non-current segment assets during the year	**26,936**	35,215	**64,292**	71,717	**5,207**	15,335	**96,435**	122,267
Reportable segment liabilities	**846,027**	966,208	**131,494**	93,996	**7,282**	9,196	**984,803**	1,069,400

10 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**376,649**	353,725
Elimination of inter-segment revenue	**(4,106)**	(1,758)
Consolidated revenue *(note 3)*	**372,543**	351,967
Profit or loss		
Reportable segment profit	**43,051**	27,523
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from the Group's external customers	**43,051**	27,523
Other revenue and other net income/(loss)	**21,621**	(8,998)
Depreciation and amortisation	**(41,071)**	(39,565)
Finance costs	**(35,199)**	(13,871)
Share of profits less losses of associates	**(15,893)**	(14,577)
Impairment loss of loans to an associate	**(1,128)**	(891)
Deficit on revaluation of investment properties	**(57,643)**	(40,788)
Consolidated loss before taxation	**(86,262)**	(91,167)
Assets		
Reportable segment assets	**2,988,348**	3,152,571
Elimination of inter-segment receivables	**(204,724)**	(405,714)
	2,783,624	2,746,857
Intangible assets	**318**	352
Interest in associates	**61,342**	59,834
Loans to associates	**51,518**	50,362
Current tax recoverable	**310**	371
Deferred tax assets	**18,834**	15,350
Cash and cash equivalents	**80,126**	81,217
Consolidated total assets	**2,996,072**	2,954,343

10 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities *(continued)*

	2023	2022
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**984,803**	1,069,400
Elimination of inter-segment payables	**(204,724)**	(405,714)
	780,079	663,686
Amount due to an associate	**47,199**	47,826
Current tax payable	**23,475**	35,508
Deferred tax liabilities	**30,499**	28,222
Consolidated total liabilities	**881,252**	775,242

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING *(continued)*

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, non-current deposits and prepayments and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and the location of operations, in the case of interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**49,118**	49,954	**2,056,674**	2,110,073
Mainland China	**5,243**	5,847	**53,048**	56,065
North America	**144,408**	129,725	**120,978**	118,598
Europe	**171,446**	165,530	**54,659**	47,907
Japan	**407**	220	**60,649**	48,744
Singapore	**760**	–	**38,862**	4,404
Others	**1,161**	691	**–**	–
	323,425	302,013	**328,196**	275,718
	372,543	351,967	**2,384,870**	2,385,791

11 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment	Sub-total	Investment properties		Total
	In Hong Kong	Outside Hong Kong				In Hong Kong	Outside Hong Kong	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At 1 January 2022	83,431	59,688	62,155	778,610	983,884	2,045,128	14,616	3,043,628
Exchange adjustments	–	(2,537)	(5,274)	(16,551)	(24,362)	–	(1,482)	(25,844)
Additions	–	26,349	1,204	28,752	56,305	7,930	–	64,235
Disposals	–	–	(4,951)	(27)	(4,978)	–	–	(4,978)
Transfer	–	(47,795)	–	–	(47,795)	–	47,795	–
Fair value adjustment	–	–	–	–	–	(38,463)	(2,325)	(40,788)
At 31 December 2022	83,431	35,705	53,134	790,784	963,054	2,014,595	58,604	3,036,253
Representing								
Cost	83,431	35,705	53,134	790,784	963,054	–	–	963,054
Valuation – 2022	–	–	–	–	–	2,014,595	58,604	2,073,199
	83,431	35,705	53,134	790,784	963,054	2,014,595	58,604	3,036,253
At 1 January 2023	**83,431**	**35,705**	**53,134**	**790,784**	**963,054**	**2,014,595**	**58,604**	**3,036,253**
Exchange adjustments	**–**	**1,541**	**(1,460)**	**6,749**	**6,830**	**–**	**1,056**	**7,886**
Additions	**–**	**2,877**	**205**	**34,912**	**37,994**	**5,682**	**50,351**	**94,027**
Disposals	**–**	**–**	**–**	**(655)**	**(655)**	**–**	**–**	**(655)**
Transfer	**–**	**49,004**	**–**	**–**	**49,004**	**–**	**(49,004)**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**(59,271)**	**1,628**	**(57,643)**
At 31 December 2023	**83,431**	**89,127**	**51,879**	**831,790**	**1,056,227**	**1,961,006**	**62,635**	**3,079,868**
Representing								
Cost	**83,431**	**89,127**	**51,879**	**831,790**	**1,056,227**	**–**	**–**	**1,056,227**
Valuation – 2023	**–**	**–**	**–**	**–**	**–**	**1,961,006**	**62,635**	**2,023,641**
	83,431	**89,127**	**51,879**	**831,790**	**1,056,227**	**1,961,006**	**62,635**	**3,079,868**

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment	Sub-total	Investment properties		Total
	In Hong Kong	Outside Hong Kong				In Hong Kong	Outside Hong Kong	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment:								
At 1 January 2022	15,411	23,790	28,369	686,208	753,778	–	–	753,778
Exchange adjustments	–	(1,067)	(2,591)	(10,267)	(13,925)	–	–	(13,925)
Charge for the year *(note 5(d))*	3,685	866	6,301	28,680	39,532	–	–	39,532
Written back on disposals	–	–	(3,482)	(22)	(3,504)	–	–	(3,504)
At 31 December 2022	19,096	23,589	28,597	704,599	775,881	–	–	775,881
At 1 January 2023	**19,096**	**23,589**	**28,597**	**704,599**	**775,881**	**–**	**–**	**775,881**
Exchange adjustments	**–**	**652**	**(906)**	**3,084**	**2,830**	**–**	**–**	**2,830**
Charge for the year *(note 5(d))*	**3,665**	**2,049**	**5,750**	**29,573**	**41,037**	**–**	**–**	**41,037**
Written back on disposals	**–**	**–**	**–**	**(655)**	**(655)**	**–**	**–**	**(655)**
At 31 December 2023	**22,761**	**26,290**	**33,441**	**736,601**	**819,093**	**–**	**–**	**819,093**
Net book value:								
At 31 December 2023	**60,670**	**62,837**	**18,438**	**95,189**	**237,134**	**1,961,006**	**62,635**	**2,260,775**
At 31 December 2022	64,335	12,116	24,537	86,185	187,173	2,014,595	58,604	2,260,372

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Impairment loss of property, plant and equipment

During the years ended 31 December 2023 and 2022, the Group's management identified that the toys and model trains segment, classified as a CGU (the "CGU") of the Group, had under-performed and estimated the recoverable amount of the CGU. The Group assessed the recoverable amount of the CGU of the toys and model trains segment and concluded that no impairment losses or reversal of previously recognised impairment losses is required.

(b) Fair value measurement of investment properties

	2023	2022
	HK$'000	*HK$'000*
Investment properties at valuation:		
– In Hong Kong	**1,961,006**	2,014,595
– Outside Hong Kong	**62,635**	58,604
At 31 December	**2,023,641**	2,073,199

(i) Fair value hierarchy

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

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

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

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

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(i) Fair value hierarchy (continued)

	Fair value as at 31 December 2023	**Fair value measurements as at 31 December 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	**1,961,006**	**–**	**–**	**1,961,006**
– Industrial – United Kingdom	**12,714**	**–**	**–**	**12,714**
– Industrial – Singapore	**38,862**	**–**	**–**	**38,862**
– Commercial – Japan	**11,059**	**–**	**–**	**11,059**

	Fair value as at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	2,014,595	–	–	2,014,595
– Industrial – United Kingdom	11,906	–	–	11,906
– Commercial – Japan	46,698	–	–	46,698

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

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(i) Fair value hierarchy (continued)

All of the Group's investment properties were revalued as at 31 December 2023. The valuations of investment properties in Hong Kong were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuations of investment properties in the United Kingdom were carried out by an independent firm of surveyors, Harry Ward, who have among their staff Members of the Royal Institution of Chartered Surveyors with recent experience in the location and category of property being valued. The valuations of investment properties in Singapore were carried out by an independent firm of surveyors, GB Global Pte Ltd, who have among their staff Fellows of the Singapore Institute of Surveyors and Valuers with recent experience in the location and category of property being valued. Management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Unobservable inputs**	**Range**	**Weighted average**
Investment properties – Industrial – Hong Kong	Income capitalisation approach	Market rental value	HK$14.5 to 16.1/ sq. foot/month (2022: HK$15.3 to 16.9/ sq. foot/month)	HK$15.1/ sq. foot/month (2022: HK$14.6/ sq. foot/month)
		Capitalisation rate	N/A (2022: N/A)	3.8% (2022: 3.6%)
Investment properties – Industrial – Hong Kong	Direct comparison approach	Premium (discount) on quality of the buildings	(5%) to 5% (2022: (5%) to 5%)	0% (2022: 0%)
Investment properties – Industrial – United Kingdom	Direct comparison approach	Premium (discount) on quality of the buildings	(5%) to 0% (2022: (5%) to 0%)	3% (2022: 3%)

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

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

	Valuation techniques	Unobservable inputs	Range	Weighted average
Investment properties – Industrial – United Kingdom	Income capitalisation approach	Market rental value	GBP4.5 to 6.5/ sq. foot/month (2022: GBP4.5 to 6.5/ sq. foot/month)	GBP5/ sq. foot/month (2022: GBP5/ sq. foot/month)
		Premium (discount) on quality of the buildings	(20%) to 5% (2022: (20%) to 5%)	7.5% (2022: 7.5%)
		Reversionary yield	N/A (2022: N/A)	7.7% (2022: 7.0%)
Investment properties – Industrial – Singapore	Direct comparison approach	Premium (discount) on size of the buildings	(17%) to (2%) (2022: N/A)	(8.7%) (2022: N/A)
		Premium (discount) on location of the buildings	(10%) to 0% (2022: N/A)	(5.8%) (2022: N/A)
		Premium (discount) on condition of the buildings	(1%) to 0% (2022: N/A)	(0.6%) (2022: N/A)
Investment properties – Commercial – Japan	Direct comparison approach	Premium (discount) on quality of the buildings	0% to 0% (2022: N/A)	0% (2022: N/A)

The fair value of investment properties located in Hong Kong is determined on an open market value basis, by either making reference to the comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with the provision for any reversionary income potential.

The capitalisation rate used in income capitalisation approach has been adjusted for the expected market rental growth, occupancy rate and quality and location of the buildings. The fair value measurement is positively correlated to the market rental value and negatively correlated to the risk-adjusted capitalisation rate.

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

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

The fair value of investment properties located in the United Kingdom is determined on an open market value basis by making reference to the comparable sales evidence in the relevant locality, or otherwise, by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and the occupancy rate, and negatively correlated to the risk-adjusted discount rates.

The fair value of investment properties located in Japan is determined on an open market value basis, by making reference to the comparable sales evidence in the relevant locality.

The fair value of investment properties located in Singapore is determined on an open market value basis, by making reference to the comparable sales evidence in the relevant locality.

The premium or discount used in direct comparison approach is specific to the building compared to the recent sales. High premium for higher quality buildings will result in a high fair value measurement.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

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

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

	2023	2022
	HK$'000	*HK$'000*
Investment property		
– Industrial		
– Hong Kong:		
At 1 January	**2,014,595**	2,045,128
Additions	**5,682**	7,930
Transfer	**–**	–
Fair value adjustment	**(59,271)**	(38,463)
At 31 December	**1,961,006**	2,014,595

	2023	2022
	HK$'000	*HK$'000*
Investment properties		
– Industrial and commercial		
– Outside Hong Kong:		
At 1 January	**58,604**	14,616
Additions	**50,351**	–
Transfer	**(49,004)**	47,795
Exchange adjustment	**1,056**	(1,482)
Fair value adjustment	**1,628**	(2,325)
At 31 December	**62,635**	58,604

During the year ended 31 December 2023, there was a change in use of property from earning rental from external third parties to being used by the Group. In accordance with HKAS 16 Property, plant and equipment and HKAS 40 Investment Property, the property was transferred from investment property to land and building held for own use at fair value on the date of transfer. The gain on revaluation of the investment property upon change of use to land and building held for own use of HK$1,628,000 is recognised in profit and loss for the year.

During the year ended 31 December 2022, there was a change in use of property from being used by the Group to earning rental from external third parties. In accordance with HKAS 16 Property, plant and equipment and HKAS 40 Investment Property, the property was transferred from land and buildings held for own use to investment property at fair value on the date of transfer. The deficit on revaluation of land and building held for own use upon change of use to investment properties of HK$1,816,000 is recognised in profit and loss for the year.

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

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

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

All the (losses)/gains recognised in profit and loss for the year arose from the properties held at the end of the reporting period.

(c) Right-of-use assets

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

	Notes	**2023 HK$'000**	2022 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term between 10 and 50 years	*(i)*	**60,670**	64,335
Other properties leased for own use, carried at depreciated cost	*(ii)*	**18,438**	24,537
Other items of plant and equipment, carried at depreciated cost	*(iii)*	**921**	1,361
		80,029	90,233
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of between 10 and 50 years		**1,961,006**	2,014,595
		2,041,035	2,104,828

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(c) Right-of-use assets *(continued)*

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**3,665**	3,685
Other properties leased for own use	**5,750**	6,301
Plant and equipment	**491**	459
	9,906	10,445
Interest on lease liabilities *(note 5(a))*	**1,168**	1,566
Expense relating to short-term leases	**154**	430
Gain on termination of lease contracts	**–**	389
COVID-19-related rent concessions received	**–**	6

During the year, additions to right-of-use assets were HK$5,887,000 (2022: HK$10,402,000). This amount included the addition of a leasehold property of HK$5,682,000 (2022: HK$7,930,000), additions of properties leased for own use of HK$205,000 (2022: HK$1,204,000) and additions of other items of plant and equipment of HK$Nil (2022: HK$1,268,000) related to the capitalised lease payments payable under new lease agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(e) and 23, respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds an industrial building for its toys business. The Group is the registered owner of the property interest, including the share in the underlying land. Lump sum payments were made upfront to acquire the right to use the property, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(c) Right-of-use assets *(continued)*

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, warehouses, staff quarters and factories through tenancy agreements. The leases typically run for an initial period of 2 to 15 years.

In 2022 the Group received rent concessions in the form of a discount on fixed payments as a result of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the year is summarised below:

		2023	
	Fixed payments	**COVID-19 rent concessions**	**Total payments**
	HK$'000	***HK$'000***	***HK$'000***
Office – PRC	–	–	–

		2022	
	Fixed payments	COVID-19 rent concessions	Total payments
	HK$'000	*HK$'000*	*HK$'000*
Office – PRC	205	6	199

(iii) Other items of plant and equipment

The Group leases equipment under leases expiring from 2 to 6 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**18,782**	31,265

(e) Secured assets

Investment properties and leasehold land and buildings of the Group with total carrying values of HK$1,855,083,000 (2022: HK$1,867,246,000) and HK$63,743,000 (2022: HK$65,314,000) respectively, were pledged to various banks to secure banking facilities granted to the Group (see note 22).

12 INTANGIBLE ASSETS

	Licensing HK$'000	Trademark HK$'000	Club membership HK$'000	Total HK$'000
Cost:				
At 1 January 2022	6,105	87	868	7,060
Exchange adjustments	(632)	–	–	(632)
At 31 December 2022	5,473	87	868	6,428
At 1 January 2023	**5,473**	**87**	**868**	**6,428**
Exchange adjustments	**372**	**–**	**–**	**372**
At 31 December 2023	**5,845**	**87**	**868**	**6,800**
Accumulated amortisation:				
At 1 January 2022	6,105	–	570	6,675
Exchange adjustments	(632)	–	–	(632)
Charge for the year *(note 5(c))*	–	–	33	33
At 31 December 2022	5,473	–	603	6,076
At 1 January 2023	**5,473**	**–**	**603**	**6,076**
Exchange adjustments	**372**	**–**	**–**	**372**
Charge for the year *(note 5(c))*	**–**	**–**	**34**	**34**
At 31 December 2023	**5,845**	**–**	**637**	**6,482**
Net book value:				
At 31 December 2023	**–**	**87**	**231**	**318**
At 31 December 2022	–	87	265	352

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES

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

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by: The Company	Proportion of ownership interest held by: A subsidiary	Principal activities
Apple Park Limited	Hong Kong	Hong Kong	1,000 shares	–	100%	Investment holding
Bachmann Asia Limited	Hong Kong	Hong Kong	2 shares	–	100%	Agent for sale of toys
Bachmann (China) Limited	PRC	Hong Kong	10,000 shares	–	100%	Trading of toys
Bachmann Trading (Shanghai) Limited	PRC	PRC	Registered capital RMB6,000,000	–	100%	Trading of toys
Bachmann Europe Plc	UK	UK	2,050,000 shares of £1 each	–	100%	Trading of toys
Bachmann Industries, Inc.	United States of America ("USA")	USA	4,010,100 shares of US$1 each	–	100%	Trading of toys
Kader Properties Management Company Limited	Hong Kong	Hong Kong	100 shares and 1,001,000 non-voting deferred shares	–	100%	Provision of management services
Dongguan Feng Da Electronics Company Limited *(Note 1)*	PRC	PRC	Registered capital HK$8,000,000	–	100%	Manufacture of toys
Dongguan Hebang Jingji Intelligent Manufacturing Technology Company Limited *(Note 2)*	PRC	PRC	Registered capital RMB4,800,000	–	52%	Manufacture and sale of moulds
Faith World Development Limited	Hong Kong	Hong Kong	1 share	–	100%	Property development and investment

(Expressed in Hong Kong dollars)

13 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activities
				The Company	A subsidiary	
Great Hope Investment Limited	British Virgin Islands ("BVI")	BVI	1 share of US$1	–	100%	Investment holding
Kader Industrial Company Limited	Hong Kong	Hong Kong	412,532,000 shares	100%	–	Manufacture and trading of toys, and property investment
K Cellars (Hong Kong) Limited	Hong Kong	Hong Kong	1,000 shares	–	100%	Sub-letting of wine cellar
Shanghai Pingbai Children Products Company Limited	PRC	PRC	Registered capital RMB28,000,000	–	100%	Trading of toys
Technic International Development Limited	Hong Kong	Hong Kong	1 share	–	100%	Investment holding
Wise Huge Investment Limited	Hong Kong	Hong Kong	1 share	100%	–	Investment holding
Kader Investment Holdings Pte. Limited	Singapore	Singapore	10,000 shares	100%	–	Investment holding
Kader Properties (Singapore) Pte. Limited	Singapore	Singapore	100,000 shares	–	100%	Property Investment

Notes:

1 The entity is a wholly-owned foreign enterprise registered in the PRC.

2 The entity is a co-operative joint venture registered in PRC.

14 INTEREST IN ASSOCIATES AND LOANS TO ASSOCIATES

	2023	2022
	HK$'000	*HK$'000*
Non-current assets		
Share of net assets	**18,609**	17,579
Amount due from an associate	**42,733**	42,255
	61,342	59,834
Current assets		
Loans to associates	**66,530**	64,246
Less: impairment losses	**(15,012)**	(13,884)
	51,518	50,362

As at 31 December 2023, the Group has an amount due from an associate, Everline Associates, LLC. ("Everline") (formerly known as Squaw Creek Associates, LLC.) of HK$42,733,000 (2022: HK$42,255,000) which is unsecured, interest-free and repayable on demand. The Group does not intend to seek repayment thereof within 12 months of the end of the reporting period.

As at 31 December 2023, the Group has a loan to an associate, Redwood Ventures Limited ("Redwood"), with principal of HK$52,076,000 (2022: HK$50,126,000) and corresponding interest receivable of HK$14,454,000 (2022: HK$11,950,000). The loan is unsecured, interest-bearing at 4% per annum (2022: 4% per annum) and repayable within one year.

As at 31 December 2023, the Group has a loan to an associate, Everline, with principal of HK$Nil (2022: HK$1,950,000) and corresponding interest receivable amounted to HK$Nil (2022: HK$220,000). The loan is unsecured, interest-bearing at 12% per annum (2022: 12% per annum) and repayable on demand.

14 INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE *(continued)*

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by a subsidiary	Held by an associate	Principal activities
Allman Holdings Limited	Incorporated	BVI	1,440 shares of US$1 each	36.1%	36.1%	–	Investment holding
Pacific Sky Ventures Inc. (formerly known as Pacific Squaw Creek Inc.)	Incorporated	USA	1,000 shares of US$1 each	36.1%	–	100.0%	Investment holding
Redwood	Incorporated	Hong Kong	43,256,000 shares	49.7%	49.7%	–	Trading of toys
Everline	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Resort operation, and the sale and management of condominium apartments
Snow King Properties, LLC ("SKP")	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Properties development and investment

Note:

Everline and SKP does not have issued share capital, the interests in Everline and SKP represent the interests in capital account balance.

All of the above associates are accounted for using the equity method in the consolidated financial statements and considered not to be individually material.

Summary financial information on associates

	Assets *HK$'000*	Liabilities *HK$'000*	Equity *HK$'000*	Revenue *HK$'000*	Loss *HK$'000*
2023					
Group's effective interest	**233,244**	**(217,071)**	**16,173**	**156,449**	**(15,893)**
2022					
Group's effective interest	230,899	(216,982)	13,917	150,434	(14,577)

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

15 DEPOSITS AND PREPAYMENTS

At 31 December 2023, deposits and prepayments for property, plant and equipment are expected to be recognised as property, plant and equipment in the future and classified as non-current assets.

16 OTHER FINANCIAL ASSETS

	2023	2022
	HK$'000	*HK$'000*
Non-current assets		
Other financial assets *(note 28(f)(i))*:		
– Listed equity securities at FVPL in Hong Kong	**1,838**	1,871
– Listed equity securities at FVPL outside Hong Kong	**3,395**	3,179
– Unlisted equity securities at FVPL outside Hong Kong	**21,780**	18,491
– Listed debt securities at FVPL outside Hong Kong	**261**	320
– Unlisted debt securities at FVPL outside Hong Kong	**32,046**	30,066
	59,320	53,927

17 TRADING SECURITIES

	2023	2022
	HK$'000	*HK$'000*
Listed equity securities at FVPL *(note 28(f)(i))*		
– in Hong Kong	**3,800**	4,024
– outside Hong Kong	**6,276**	6,149
	10,076	10,173

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2023	2022
	HK$'000	*HK$'000*
Raw materials	**16,240**	18,981
Work in progress	**12,407**	19,140
Finished goods	**256,489**	217,448
	285,136	255,569

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows (note 5(d)):

	2023	2022
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**187,351**	185,306
Reversal of write-down of inventories	**(3,938)**	(3,334)
	183,413	181,972

The reversal of write-down of inventories made in the prior year arose upon subsequent sale of inventories.

19 TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade debtors, net of loss allowance	**80,730**	68,410
Amounts due from related companies	**2,094**	2,094
Deposits and prepayments	**23,058**	31,079
	105,882	101,583

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Amounts due from related companies are unsecured, interest-free and repayable on demand. The related companies have a common director and shareholder with the Company.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

19 TRADE AND OTHER RECEIVABLES *(continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**32,101**	33,286
1 to 3 months	**27,714**	25,689
3 to 12 months	**20,808**	7,680
Over 12 months	**107**	1,755
	80,730	68,410

Trade debtors are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023	2022
	HK$'000	*HK$'000*
Deposits with other financial institution	**1,885**	3,236
Cash at bank and on hand	**78,241**	77,981
Cash and cash equivalents in the consolidated cash flow statements	**80,126**	81,217

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of loss before taxation to cash generated from/(used in) operations:

	Note	**2023** **HK$'000**	2022 HK$'000
Loss before taxation		**(86,262)**	(91,167)
Adjustments for:			
Deficit on revaluation of investment properties	*11*	**57,643**	40,788
Depreciation	*11*	**41,037**	39,532
Amortisation of intangible assets	*12*	**34**	33
Finance costs	*5(a)*	**35,199**	13,871
Interest income	*4*	**(3,909)**	(3,026)
Dividend income	*4*	**(460)**	(404)
Share of profits less losses of associates	*14*	**15,893**	14,577
Impairment loss of loans to an associate	*14*	**1,128**	891
Addition of/(reversal of) impairment loss on trade and other receivables	*5(c)*	**114**	(424)
Gain on termination of lease contracts	*4*	**–**	(389)
COVID-19-related rent concessions received	*4*	**–**	(6)
Net gain on disposal of other property, plant and equipment	*4*	**(53)**	(14)
Net realised and unrealised loss on trading securities	*4*	**291**	2,624
Net realised and unrealised (gain)/loss on other financial assets	*4*	**(225)**	6,095
Unrealised foreign exchange (gain)/loss		**(620)**	9,612
Reversal of write-down of inventories	*18*	**(3,938)**	(3,334)
Provision for long service payments	*26*	**20**	127
Changes in working capital:			
Increase in inventories		**(25,372)**	(45,550)
Increase in trade and other receivables		**(3,248)**	(12,789)
(Decrease)/increase in trade and other payables and contract liabilities (excluding rental deposits)		**(13,060)**	26,432
Decrease/(increase) in rental deposits received		**(197)**	14
Cash generated from/(used in) operations		**14,015**	(2,507)

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Major non-cash transactions:

During the year ended 31 December 2023, the Group has transferred prepayments or deposits for renovation of an industrial property in Hong Kong and acquisition of an investment property in oversea of HK$9,900,000 and HK$9,969,000 to investment properties and property, plant and equipment respectively.

(d) Reconciliation of liabilities arising from financing activities:

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

	Bank loans	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Note 22)	*(Note 23)*	
As at 1 January 2023	**521,323**	**33,741**	**555,064**
Changes from financing cash flows:			
Proceeds from new bank loans	**903,537**	**–**	**903,537**
Repayment of bank loans	**(766,703)**	**–**	**(766,703)**
Capital element of lease rentals paid	**–**	**(7,562)**	**(7,562)**
Interest element of lease rentals paid	**–**	**(1,168)**	**(1,168)**
Bank borrowing costs paid	**(34,031)**	**–**	**(34,031)**
Total changes from financing cash flows	**102,803**	**(8,730)**	**94,073**
Exchange adjustments	**857**	**(704)**	**153**
Other changes:			
Interest on bank loans and other borrowings *(note 5(a))*	**34,031**	**–**	**34,031**
Interest on lease liabilities *(note 5(a))*	**–**	**1,168**	**1,168**
Increase in lease liabilities from entering into new leases during the year	**–**	**205**	**205**
	34,031	**1,373**	**35,404**
As at 31 December 2023	**659,014**	**25,680**	**684,694**

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Reconciliation of liabilities arising from financing activities *(continued)*:

	Bank loans HK$'000 (Note 22)	Lease liabilities HK$'000 (Note 23)	Total HK$'000
As at 1 January 2022	375,790	44,458	420,248
Changes from financing cash flows:			
Proceeds from new bank loans	719,000	–	719,000
Repayment of bank loans	(571,931)	–	(571,931)
Capital element of lease rentals paid	–	(7,748)	(7,748)
Interest element of lease rentals paid	–	(1,566)	(1,566)
Bank borrowing costs paid	(12,305)	–	(12,305)
Total changes from financing cash flows	134,764	(9,314)	125,450
Exchange adjustments	(1,536)	(3,577)	(5,113)
Other changes:			
Interest on bank loans and other borrowings *(note 5(a))*	12,305	–	12,305
Interest on lease liabilities *(note 5(a))*	–	1,566	1,566
Increase in lease liabilities from entering into new leases during the year	–	2,472	2,472
Decrease in lease liabilities from terminating leases during the year	–	(1,858)	(1,858)
COVID-19-related rent concessions received *(note 11(c))*	–	(6)	(6)
	12,305	2,174	14,479
As at 31 December 2022	521,323	33,741	555,064

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(e) Total cash outflow for leases

	2023 HK$'000	2022 HK$'000
Within operating cash flows	**154**	430
Within investing cash flows	**46,133**	499
Within financing cash flows	**8,730**	9,314
	55,017	10,243

These amounts relate to the following:

	2023 HK$'000	2022 HK$'000
Lease rentals paid	**8,884**	9,744
Additions in leasehold properties	**46,133**	499
	55,017	10,243

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Trade and other payables		
Creditors and accrued charges	**79,693**	91,973
Rental deposits	**14,283**	11,388
Amount due to a related company	**138**	138
Amount due to an associate	**47,199**	47,826
	141,313	151,325
Contract liabilities		
Forward sales deposits	**1,124**	1,359
	142,437	152,684

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

(a) Trade and other payables

All of the trade and other payables, except for the amounts due to related companies and an associate, are expected to be settled or recognised as income within one year or are repayable on demand.

Amount due to a related company and an associate are unsecured, interest-free and repayable on demand. The related company was controlled by the controlling shareholder of the Company.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**7,740**	12,638
Over 1 month but within 3 months	**7,765**	10,394
Over 3 months but within 6 months	**3,256**	4,670
Over 6 months	**1,618**	606
	20,379	28,308

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities

Typical payment terms which impact on the amounts of contract liabilities recognised are as follows:

The Group receives advances from certain customers for sale of goods when they sign sale and purchase agreement. These advances are recognised as contract liabilities until the customers take possession of and accepts the products.

Movements in contract liabilities

	2023	2022
	HK$'000	*HK$'000*
Balance at 1 January	**1,359**	1,786
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 period	**(636)**	(1,527)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**391**	1,144
Exchange adjustments	**10**	(44)
Balance at 31 December	**1,124**	1,359

The amount of forward sales deposits received are expected to be recognised as income within one year.

22 BANK LOANS

At 31 December, the bank loans were repayable as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year or on demand	**646,707**	509,381
After 1 year but within 2 years	**649**	676
After 2 years but within 5 years	**11,658**	11,266
	12,307	11,942
	659,014	521,323

At 31 December, the bank loans were as follows:

	2023	2022
	HK$'000	*HK$'000*
Bank loans		
– Secured	**659,014**	521,323

At 31 December 2023, investment properties and leasehold land and buildings of the Group with aggregate net carrying value of HK$1,918,826,000 (2022: HK$1,932,560,000) were pledged to various banks to secure the bank loans and overdrafts granted to the Group. Details of the secured assets are as follows:

	2023	2022
	HK$'000	*HK$'000*
Investment properties *(note 11(e))*	**1,855,083**	1,867,246
Ownership interest in land and buildings *(note 11(e))*	**63,743**	65,314
	1,918,826	1,932,560

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

22 BANK LOANS *(continued)*

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's or relevant subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

At 31 December 2023 and 31 December 2022, none of the covenants relating to drawn down facilities has been breached.

Further details of the Group's management of liquidity risk are set out in note 28(b).

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**7,662**	7,624
After 1 year but within 2 years	**7,603**	7,674
After 2 years but within 5 years	**9,952**	17,880
After 5 years	**463**	563
	18,018	26,117
	25,680	33,741

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2023 HK$'000	2022 HK$'000
Hong Kong Profits Tax for the year	**93**	26
Provisional Profits Tax paid	**(106)**	(63)
Balance of Profits Tax provision relating to prior years	**(36)**	13,984
	(49)	13,947
Provision for tax outside Hong Kong	**23,368**	21,561
Tax outside Hong Kong paid	**(6)**	(16)
Balance of tax provision outside Hong Kong relating to prior years	**(148)**	(355)
	23,214	21,190
	23,165	35,137
Representing:		
Current tax recoverable	**310**	371
Current tax payable	**(23,475)**	(35,508)
	(23,165)	(35,137)

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates the tax implications of the transactions conducted, and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislation, and interpretation thereof. Where the final outcome is different from the current assessment, the income tax provisions recognised could be affected.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

	Depreciation allowances in excess of the related depreciation	Depreciation charge of right-of-use assets	Lease liabilities	Revaluation of land and buildings	Provisions and allowances	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:							
At 1 January 2022	17,929	8,608	(11,114)	10,587	(8,647)	–	17,363
(Credited)/charged to profit or loss *(note 6(a))*	2,544	(2,313)	2,679	–	(2,319)	(4,813)	(4,222)
Exchange adjustments	(768)	205	–	–	294	–	(269)
At 31 December 2022	19,705	6,500	(8,435)	10,587	(10,672)	(4,813)	12,872
At 1 January 2023	**19,705**	**6,500**	**(8,435)**	**10,587**	**(10,672)**	**(4,813)**	**12,872**
(Credited)/charged to profit or loss *(note 6(a))*	**1,877**	**(1,681)**	**2,015**	**–**	**(1,097)**	**(2,774)**	**(1,660)**
Exchange adjustments	**541**	**52**	**–**	**–**	**(140)**	**–**	**453**
At 31 December 2023	**22,123**	**4,871**	**(6,420)**	**10,587**	**(11,909)**	**(7,587)**	**11,665**

(ii) Reconciliation to the consolidated statement of financial position

	2023	2022
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**18,834**	15,350
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(30,499)**	(28,222)
	(11,665)	(12,872)

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$259,373,000 (2022: HK$264,454,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of the Group amounting to HK$36,443,000 (2022: HK$42,496,000) does not expire under current tax legislation, while the remaining tax losses amounting to HK$222,930,000 (2022: HK$221,958,000) will expire at various dates up to and including 2042 as follows:

	2023	2022
	HK$'000	*HK$'000*
Expiring in year:		
2023	–	119
2024	–	118
2025	–	135
2026	–	42
2027	–	145
2028	**11,961**	11,961
2029	**23,790**	23,790
2030	**29,250**	29,250
2031	**31,629**	31,629
2032	**15,826**	15,826
2035	**19,406**	19,406
2036	**29,081**	29,081
2037	**9,478**	9,478
2038	**17,160**	17,160
2039	**21,971**	21,971
2040	**6,888**	6,888
2042	**4,959**	4,959
2043	**1,531**	–
	222,930	221,958
No expiry date	**36,443**	42,496
	259,373	264,454

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

25 RENTAL DEPOSITS

Rental deposits represent amount of rental deposits received which are expected to be settled after more than one year.

26 ACCRUED EMPLOYEE BENEFITS

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**127**	–
Additional provision made	**20**	127
At 31 December	**147**	127

Accrued employee benefits represent provision for long service payments in respect of the Group's employees on termination of employment in accordance with the Hong Kong Employment Ordinance.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	**Share premium**	**Capital reserve**	**Contributed surplus**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2022	95,059	185,138	9,347	175,594	316,771	781,909
Changes in equity for 2022:						
Profit and total comprehensive income for the year	–	–	–	–	8,548	8,548
Balance at 31 December 2022 and 1 January 2023	95,059	185,138	9,347	175,594	325,319	790,457
Changes in equity for 2023:						
Loss and total comprehensive income for the year	–	–	–	–	(23,439)	(23,439)
Balance at 31 December 2023	95,059	185,138	9,347	175,594	301,880	767,018

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2023 (2022: HK$Nil).

(c) Issued share capital

	2023		2022	
	Number of shares ’000	***HK$’000***	Number of shares ’000	*HK$’000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At the beginning and the end of the year	**950,588**	**95,059**	950,588	95,059

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve arose from acquisitions of subsidiaries and associates prior to 1 January 2001, where the excess of the Group’s share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition was credited to the capital reserve.

(iii) Contributed surplus

The contributed surplus may be utilised in accordance with the Bye-laws and other relevant laws of Bermuda, being the place of incorporation of the Company.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(v).

(v) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings set out in note 1(h).

(e) Distributability of reserves

At 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$477,474,000 (2022: HK$500,913,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and contract liabilities, lease liabilities and rental deposits), less cash and cash equivalents. Total capital comprises all components of equity.

During 2023, the Group's strategy, which was unchanged from 2022 was to maintain the adjusted net debt-to-capital ratio under 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management *(continued)*

The Group's adjusted net debt-to-capital ratios at 31 December 2023 and were as follows:

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Current liabilities:		
Trade and other payables and contract liabilities	**142,437**	152,684
Bank loans	**646,707**	509,381
Lease liabilities	**7,662**	7,624
	796,806	669,689
Non-current liabilities:		
Bank loans	**12,307**	11,942
Lease liabilities	**18,018**	26,117
Rental deposits	**–**	3,637
	30,325	41,696
Total debt	**827,131**	711,385
Less: cash and cash equivalents	**(80,126)**	(81,217)
Adjusted net debt	**747,005**	630,168
Total equity and capital	**2,114,820**	2,179,101
Adjusted net debt-to-capital ratio	**35.3%**	28.9%

The Group is subject to the fulfilment of certain covenants which include maintaining its adjusted net debt-to-capital ratio below 100%. Except for the above, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, other financial assets, trading securities, cash and cash equivalents and loans to an associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of two to three months' rent are normally required from lessees.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the end of the reporting period, 21.48% (2022: 17.55%) and 53.51% (2022: 38.69%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

Investments in other financial assets and trading securities are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Cash and cash equivalents are normally placed with counterparties that have sound credit ratings.

The Group monitors the loans to associates on an on-going basis. During the year ended 31 December 2023, loss allowance of HK$1,128,000 (2022: HK$891,000) in respect of loans to an associate was recognised in profit or loss. The credit quality of fair value of loans to an associate has been assessed with reference to external credit ratings (if available) or to historical information about the counterparty default rates.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk *(continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss	**Gross carrying amount**	**Loss allowance**
	%	***HK$'000***	***HK$'000***
Neither past due nor impaired	**0.0%**	**59,565**	**–**
Less than 1 month past due	**0.0%**	**6,443**	**–**
1 to 3 months past due	**0.0%**	**3,904**	**–**
More than 3 months but less than 12 months past due	**1.6%**	**10,979**	**180**
More than 12 months past due	**98.6%**	**1,406**	**1,387**
		82,297	**1,567**

	2022		
	Expected loss	Gross carrying amount	Loss allowance
	%	*HK$'000*	*HK$'000*
Neither past due nor impaired	0.2%	53,591	111
Less than 1 month past due	0.2%	8,942	22
1 to 3 months past due	1.8%	5,563	98
More than 3 months but less than 12 months past due	14.2%	415	59
More than 12 months past due	88.6%	1,661	1,472
		70,172	1,762

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk *(continued)*

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

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2023	2022
	HK$'000	*HK$'000*
At the beginning of the year	**1,762**	2,400
Exchange adjustments	**13**	(38)
Amounts written off during the year	**(278)**	(77)
Addition of/(reversal of) impairment losses during the year *(note 5(c))*	**70**	(523)
At the end of the year	**1,567**	1,762

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management including the short term investment of cash surpluses. 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 financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

For the term loans subject to repayment on demand clauses which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke to unconditional rights to call the loans with immediate effect.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

	2023						2022					
	Total contractual undiscounted cash outflow						Total contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 year but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Creditors and accrued charges	**79,693**	**–**	**–**	**–**	**79,693**	**79,693**	91,973	–	–	–	91,973	91,973
Amount due to a related company	**138**	**–**	**–**	**–**	**138**	**138**	138	–	–	–	138	138
Amount due to an associate	**47,199**	**–**	**–**	**–**	**47,199**	**47,199**	47,826	–	–	–	47,826	47,826
Rental deposits	**14,283**	**–**	**–**	**–**	**14,283**	**14,283**	11,388	3,637	–	–	15,025	15,025
Bank loans	**707,636**	**1,699**	**12,509**	**–**	**721,844**	**659,014**	539,896	1,027	12,176	–	553,099	521,323
Lease liabilities	**8,520**	**8,159**	**10,255**	**491**	**27,425**	**25,680**	8,656	8,402	18,559	609	36,226	33,741
	857,469	**9,858**	**22,764**	**491**	**890,582**	**826,007**	699,877	13,066	30,735	609	744,287	710,026

As shown in the above analysis, bank loans of the Group amounting to HK$707,636,000 were repayable on demand or due to be repaid during 2024. The short-term liquidity risk inherent in this contractual maturity date will be addressed by re-financing of the loan. Based on the historical experience, management is confident that the Group would not expect to breach any covenants in the next twelve months from the date of Board approval of the financial statements, and would have sufficient financial resources to meet its financial obligations as and when they fall due. The Group expects to have adequate source of funding to finance and manage its liquidity position.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group monitors the level of its variable rate borrowings and manages the contractual terms of the interest-bearing financial assets and liabilities. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

		2023		2022	
	Note	**Effective interest rate %**	**Amount *HK$'000***	Effective interest rate %	Amount *HK$'000*
Fixed rate borrowings:					
Lease liabilities	*23*	**4.00**	**25,680**	4.00	33,741
Variable rate borrowings:					
Bank loans	*22*	**6.69**	**659,014**	5.95	521,323

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and retained profits by approximately HK$5,518,000 (2022: increased/decreased the Group's loss after taxation and retained profits by approximately HK$4,350,000). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

The sensitivity analysis above indicates the annualised impact on Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements. The analysis has been performed on the same basis for 2022.

(d) Currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Renminbi Yuan ("RMB") Sterling Pounds ("GBP"), Japanese Yen ("JPY"), Euro ("EUR"), Australian Dollars ("AUD") and Singapore Dollars ("SGD").

The Group's operations outside Hong Kong do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the operations outside Hong Kong for use within the respective operations.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2023						
	USD	RMB	GBP	JPY	EUR	AUD	SGD
	'000	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*
Other financial assets	6,982	–	–	19,838	139	136	–
Trading securities	126	–	–	39,770	–	–	523
Trade and other receivables (including inter-company receivables within the Group)	30,770	853	14,757	–	87	–	–
Cash and cash equivalents	1,843	127	14	25,449	700	–	46
Trade and other payables (including inter-company payables within the Group)	(557)	(19,624)	(47)	(5,753)	(116)	–	–
Net exposure arising from recognised assets and liabilities	39,164	(18,644)	14,724	79,304	810	136	569
HK$ equivalent	305,473	(20,192)	146,825	4,382	6,999	726	3,366

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk (continued)

	2022						
	USD	RMB	GBP	JPY	EUR	AUD	SGD
	'000	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*
Other financial assets	6,437	–	–	–	137	136	475
Trading securities	206	–	–	31,197	–	–	–
Trade and other receivables (including inter-company receivables within the Group)	31,216	409	11,184	4,058	87	–	–
Cash and cash equivalents	191	239	1,154	48,233	910	–	16
Trade and other payables (including inter-company payables within the Group)	(748)	(19,109)	(1,002)	(637)	(121)	–	–
Net exposure arising from recognised assets and liabilities	37,302	(18,461)	11,336	82,851	1,013	136	491
HK$ equivalent	290,959	(20,602)	105,858	4,806	8,353	715	2,827

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation (and retained profits) and other components of consolidated equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	**(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits**	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits
		HK$'000		*HK$'000*
RMB	**5%**	**(843)**	5%	(860)
	(5%)	**843**	(5%)	860
GBP	**5%**	**6,130**	5%	4,419
	(5%)	**(6,130)**	(5%)	(4,419)
JPY	**5%**	**183**	5%	201
	(5%)	**(183)**	(5%)	(201)
EUR	**5%**	**272**	5%	340
	(5%)	**(272)**	(5%)	(340)
AUD	**5%**	**30**	5%	30
	(5%)	**(30)**	(5%)	(30)
SGD	**5%**	**129**	5%	114
	(5%)	**(129)**	(5%)	(114)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after taxation and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2022.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see notes 16 and 17). Other than the unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed both in and outside Hong Kong. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Equity price risk *(continued)*

At 31 December 2023, it is estimated that changes in the relevant stock market indices (for listed investments) with all other variables held constant, would have increased/decreased the Group's loss after taxation (and retained profits) and other components of consolidated equity as follows:

	2023		
	Increase/ (decrease) in the relevant risk variable	**Increase/ (decrease) in retained profits** *HK$'000*	**Decrease/ (increase) in loss after taxation** *HK$'000*
Stock market index in respect of listed investments:			
Nikkei 225	28%	514	514
	(28%)	(514)	(514)
Hang Seng Index	14%	444	444
	(14%)	(444)	(444)
S&P Global Natural Resources Index	0%	–	–
	(0%)	–	–
SSE Composite Index	5%	77	77
	(5%)	(77)	(77)
Dow Jones Index	14%	115	115
	(14%)	(115)	(115)
Straits Times Index	2%	52	52
	(2%)	(52)	(52)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Equity price risk *(continued)*

	2022		
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in retained profits *HK$'000*	Decrease/ (increase) in loss after taxation *HK$'000*
Stock market index in respect of listed investments:			
Nikkei 225	9%	136	136
	(9%)	(136)	(136)
Hang Seng Index	15%	504	504
	(15%)	(504)	(504)
S&P Global Natural Resources Index	5%	107	107
	(5%)	(107)	(107)
SSE Composite Index	15%	234	234
	(15%)	(234)	(234)
Dow Jones Index	9%	121	121
	(9%)	(121)	(121)
Straits Times Index	4%	91	91
	(4%)	(91)	(91)

The sensitivity analysis indicates the instantaneous change in the Group's loss after taxation and retained profits that would have arisen assuming that the changes in the stock market indices had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical movement with the relevant stock market indices, and that all other variables remain constant. The analysis has been performed on the same basis for 2022.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

	Fair value as at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Other financial assets *(note 16)*				
– Listed equity securities	5,233	5,233	–	–
– Unlisted equity securities	21,780	–	18,398	3,382
– Listed debt securities	261	261	–	–
– Unlisted debt securities	32,046	–	–	32,046
	59,320	5,494	18,398	35,428
Trading securities *(note 17)*				
– Listed equity securities	10,076	10,076	–	–
	69,396	15,570	18,398	35,428

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy *(continued)*

	Fair value as at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Other financial assets				
– Listed equity securities	5,050	5,050	–	–
– Unlisted equity securities	18,491	–	16,216	2,275
– Listed debt securities	320	320	–	–
– Unlisted debt securities	30,066	–	–	30,066
	53,927	5,370	16,216	32,341
Trading securities				
– Listed equity securities	10,173	10,173	–	–
	64,100	15,543	16,216	32,341

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

Information about Level 2 fair value measurements

The fair value is based on price quoted by financial institutions.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements

The Group's Level 3 financial instruments represent unlisted equity and debt securities which their fair values are based on unobservable inputs. The directors perform the valuation on Level 3 financial instruments for financial reporting purposes. Their fair values have been determined with reference to the pricing of the recent transactions.

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

	Unlisted equity securities ***HK$'000***	**Unlisted debt securities** ***HK$'000***
Balance as at 1 January 2022	1,560	22,468
Additions during the year	736	14,599
Disposal during the year	–	(766)
Net unrealised loss recognised in profit or loss during the year	–	(6,235)
Exchange adjustment	(21)	–
Balance as at 31 December 2022 and 1 January 2023	2,275	30,066
Additions during the year	1,204	4,003
Net unrealised loss recognised in profit or loss during the year	(2)	(2,023)
Exchange adjustment	(95)	–
Balance as at 31 December 2023	3,382	32,046

The losses arising from the fair value measurement of the Group's unlisted equity securities and debt securities are presented in the "other revenue and other net income/(loss)" line item in the consolidated profit or loss.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023 and 2022.

29 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	2023	2022
	HK$'000	*HK$'000*
Contracted for the purchase of property, plant and equipment	**15,184**	49,828

30 EMPLOYEE RETIREMENT BENEFITS

In Hong Kong, the Group operates a defined contribution pension scheme ("ORSO scheme") for all qualifying employees. Effective from 1 December 2000, all Hong Kong based employees were also covered under a Mandatory Provident Fund ("MPF") scheme, and the existing ORSO scheme was modified to provide extra benefits for existing and new employees. The amounts of employer's and employees' contributions to the ORSO scheme are reduced by the amount required to be paid to the MPF scheme. The contributions to the ORSO scheme are supplementary contributions, over and above the minimum MPF requirements. The assets of the ORSO scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the ORSO scheme, the employees are required to make contributions to the ORSO scheme calculated at 5% of their basic salaries on a monthly basis whilst the employer's contributions vary with the number of years of service of the employees from 5% to 10% of the basic monthly salary. The employees are entitled to 100% of the employer's contributions to the ORSO scheme and the accrued interest after 10 complete years' service, or at an increasing scale of between 50% and 90% after completion of 5 to 9 years' service.

Where there are employees who leave the ORSO scheme prior to vesting fully in the contributions, in accordance with the rules of the ORSO scheme, the forfeited employer's contributions shall be used to reduce the future contributions of the employer.

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the retirement schemes of the Group that are attributable to contributions made by the Group.

Subsidiaries incorporated in the PRC participate in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred.

Notes to the Financial Statements *(Continued)*

(Expressed in Hong Kong dollars)

30 EMPLOYEE RETIREMENT BENEFITS *(continued)*

Under the PRC Labour Contract Law, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees. The amount payable is dependent on the employees' final salary and years of service.

Employees in the United States of America are covered by a profit sharing plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides for contributions from both the employer and eligible employees. Employer's contributions are voluntary and are determined each year at the discretion of management.

As regards employees in Europe, contributions are made by the employer to a money purchase defined contribution pension scheme for certain of its employees. The assets of the scheme are held separately by an independent administered fund.

31 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(i) Remuneration for key management personnel of the Group are disclosed in notes 7 and 8 to the financial statements.

(ii) During the year ended 31 December 2023, the Group earned interest income from loans to an associate, Redwood amounted to HK$2,504,000 (2022: HK$2,316,000). Further details of loan to Redwood are given in note 14 to the financial statements.

(iii) During the year ended 31 December 2023, the Group earned interest income from loans to an associate Everline amounted to HK$Nil (2022: HK$452,000). Further details of loan to Everline are given in note 14 to the financial statements.

(iv) During the year ended 31 December 2023, the Group received rental income amounted to HK$499,000 (2022: HK$724,000) from a related company which is controlled by the controlling shareholder of the Company.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Interest in subsidiaries		**769,425**	792,851
Current assets			
Trade and other receivables		**415**	189
Cash and cash equivalents		**300**	1,143
		715	1,332
Current liabilities			
Trade and other payables		**3,020**	3,704
Tax payable		**102**	22
		3,122	3,726
Net current liabilities		**(2,407)**	(2,394)
NET ASSETS		**767,018**	790,457
CAPITAL AND RESERVES	*27(a)*		
Share capital		**95,059**	95,059
Reserves		**671,959**	695,398
TOTAL EQUITY		**767,018**	790,457

33 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group believes the following critical accounting policies involves the most significant judgements and estimates used in the preparation of the financial statements.

(a) Valuation of investment properties

The fair valuation of the Group's investment properties is conducted by an independent firm of surveyors by either making reference to comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with provision for any reversionary income potential. The valuation model used by the property valuer makes use of market inputs. Should changes be made to these market inputs, the corresponding investment property valuation would change.

(b) Impairment of other property, plant and equipment

If circumstances indicate that the carrying amounts of other property, plant and equipment may not be recoverable, the assets may be considered "impaired" and are tested for impairment in accordance with HKAS 36, Impairment of assets. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. The asset's recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

(c) Write-down of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses and projections of expected future salability of goods based on management experience and judgement. Based on this review, a write-down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to changes in customers' preferences, actual salability of goods may be different from estimations and profit or loss in future accounting periods could be affected by differences in these estimations.

(Expressed in Hong Kong dollars)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Group Properties

Details of the major property of the Group are as follows:

Location	Existing use	Term of lease
Major property held for investment		
The whole of Ground Floor, a portion of First Floor, the whole of Second, Third, Fourth Floors, a portion of Fifth, Sixth Floors, the whole of Seventh, Eighth, Ninth, Tenth Floors, a portion of Eleventh Floor, Kader Building, 22 Kai Cheung Road Kowloon Bay, Kowloon HONG KONG	Industrial and office rental	Medium-term

Five-Year Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2023** ***HK$'000***	2022 *HK$'000*	2021 *HK$'000*	2020 *HK$'000*	2019 *HK$'000*
Revenue		**372,543**	351,967	397,330	372,293	444,147
Profit/(loss) from operations	*1*	**23,601**	(21,040)	22,801	(11,267)	(23,849)
Finance costs		**(35,199)**	(13,871)	(7,084)	(9,865)	(12,387)
Share of profits less losses of associates		**(15,893)**	(14,577)	(1,202)	(41,851)	(25,331)
Impairment loss of loans to an associate		**(1,128)**	(891)	(4,640)	(4,169)	(3,025)
(Deficit)/surplus on revaluation of investment properties		**(57,643)**	(40,788)	44,188	(43,059)	51,532
(Loss)/profit before taxation		**(86,262)**	(91,167)	54,063	(110,211)	(13,060)
Income tax credit/(expense)	*1*	**12,824**	6,202	(7,135)	715	(981)
(Loss)/profit for the year		**(73,438)**	(84,965)	46,928	(109,496)	(14,041)
Attributable to:						
Equity shareholders of the Company		**(74,634)**	(86,384)	45,942	(110,366)	(14,364)
Non-controlling interests		**1,196**	1,419	986	870	323
(Loss)/profit for the year		**(73,438)**	(84,965)	46,928	(109,496)	(14,041)
(Loss)/earning per share						
Basic		**(7.85)¢**	(9.09)¢	4.83¢	(11.61)¢	(1.51)¢
Diluted		**(7.85)¢**	(9.09)¢	4.83¢	(11.61)¢	(1.51)¢

Five-Year Summary *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2023**	2022	2021	2020	2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities						
Property, plant and equipment	*1*	**2,260,775**	2,260,372	2,289,850	2,196,922	2,233,430
Intangible assets		**318**	352	385	419	366
Interest in associates		**61,342**	59,834	65,044	55,372	82,855
Other financial assets		**59,320**	53,927	45,545	41,499	24,955
Deposits and prepayments		**62,435**	65,233	22,447	8,855	2,028
Deferred tax assets	*1*	**18,834**	15,350	8,039	6,272	9,709
Non-current assets		**2,463,024**	2,455,068	2,431,310	2,309,339	2,353,343
Net current (liabilities)/assets	*1*	**(287,233)**	(205,922)	(82,975)	(34,983)	46,168
Total assets less current liabilities		**2,175,791**	2,249,146	2,348,335	2,274,356	2,399,511
Non-current liabilities	*1*	**(60,971)**	(70,045)	(78,803)	(68,801)	(83,442)
NET ASSETS		**2,114,820**	2,179,101	2,269,532	2,205,555	2,316,069
CAPITAL AND RESERVES						
Share capital		**95,059**	95,059	95,059	95,059	95,059
Reserves		**2,012,879**	2,078,166	2,169,527	2,106,674	2,218,284
Total equity attributable to equity shareholders of the Company		**2,107,938**	2,173,225	2,264,586	2,201,733	2,313,343
Non-controlling interests		**6,882**	5,876	4,946	3,822	2,726
TOTAL EQUITY		**2,114,820**	2,179,101	2,269,532	2,205,555	2,316,069

Notes to the Five-Year Summary

1 As a result of the adoption of HKFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.